NEW YORK CITY HOUSING DEVELOPMENT CORPORATION

ANNUAL REPORT

RIBBON CUTTING

A SMALL EVENT WITH BIG IMPLICATIONS

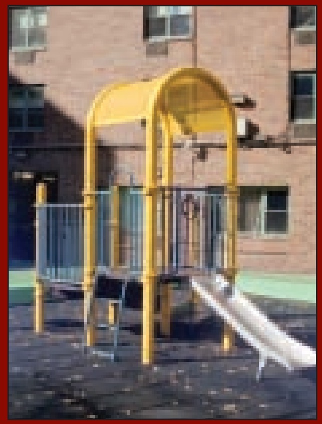
This year's report is dedicated to the small acts that occur throughout the City to celebrate the moment that affordable apartment buildings open to accept residents. After more than three years of rapid growth under Mayor Michael R. Bloomberg's New Housing Marketplace initiative, ribbons have been snipped at a furious pace throughout the City. This symbolic beginning represents housing for hard working New Yorkers and the completion of a plan. Each ribbon opens up stories and opportunity throughout the City. This report attempts to tell some of those stories.

NYC HDC
NEW YORK CITY HOUSING DEVELOPMENT CORPORATION

CUTTING RIBBONS

REPORT OF THE PRESIDENT, EMILY A. YOUSSOUF, AND THE CHAIRMAN, SHAUN DONOVAN

On behalf of the Members and the staff of the New York City Housing Development Corporation (HDC), we are pleased to report that fiscal year 2006 was the most productive year in the Corporation's history, with a record $1.7 billion worth of bonds issued, and 7,192 apartments built or preserved.



WELCOMING FAMILIES TO THEIR NEW HOMES

Any building has two key events in its construction life-cycle: The day the shovels hit the ground and the day that the building is finished and is symbolically opened with a ribbon cutting ceremony.

We've cut a lot of ribbons lately.

A ribbon cutting ceremony is the culmination of our work, a chance to celebrate a success with finance partners, elected officials, community leaders, developers and, most importantly, community residents. From the South Bronx to Harlem to East New York, Brooklyn, it is gratifying to see positive results in communities across the city.

But why focus on ribbon cutting ceremonies? And why now?

Two thirds of the way through Fiscal Year 2003, Mayor Michael R. Bloomberg launched his *New Housing Marketplace* plan. The Corporation's annual bond issuance has increased dramatically since the plan was launched. With construction and renovation periods typically lasting two to three years, 2006 was the year that many buildings begun during the early days of the *New Housing Marketplace* plan were ready for their ribbon cutting ceremonies.

This year we have celebrated several ribbon cuttings in Upper Manhattan and the Bronx, where the market for HDC-financed affordable housing is particularly robust. Ribbons were cut at University Macombs, a portfolio of five buildings in the Bronx (four renovated and one newly built), financed through our Low-Income Affordable Marketplace Program (LAMP), Palacio Del Sol, another LAMP-financed building in the Melrose neighborhood in the Bronx, and at 132 East 112th Street in East Harlem, financed under our middle-income New Housing Opportunities Program ("New HOP"). These are just some of the ribbon cuttings we celebrated this year. Because HDC's activity level has increased steadily since 2003, we can expect a lot more ribbon cuttings in the future.

Our annual reports have traced the progression of our increased output under the *New Housing Marketplace* plan. At the beginning of the plan, our 2003 report focused on groundbreaking; in 2004 we looked at institutional growth; last year "Preserving NYC" called attention to the new programs aimed at preservation. The focus of this year's report, ribbon cuttings, was made possible by the work that occurred in previous years and hints at the even greater results that lie ahead spurred by Mayor Bloomberg's $7.5 billion affordable housing plan. In 2006 the Mayor expanded the *New Housing Marketplace* to 165,000 units, making it the most ambitious municipal housing plan in U.S. history. The plan will provide affordable housing for an estimated 500,000 New Yorkers, more than the entire population of Atlanta.

This year's report highlights the significant accomplishments of fiscal 2006 – from our award-winning pooled financing of renovations on 10 senior housing buildings in Brooklyn and Queens to the conversion of a dilapidated 1850s-era Bronx mansion into housing aimed at grandparents raising their grandchildren to many other innovative renovation and construction projects. But the bulk of the report is dedicated to telling the remarkable story of the great growth we have experienced in the past three years and its culmination in ribbon cutting ceremonies and housing for hard working New Yorkers.

INNOVATION LEADS TO RESULTS

While this year's report is dedicated to completion of projects financed earlier, it is appropriate that we describe the new buildings financed this year, for they show where our future ribbon cutting ceremonies will be held. In the past four years, HDC has created a number of innovative programs that have fueled our rapid growth in issuance, and we have kept our ear to the ground to continually update our existing programs so that they remain attractive and useful. New programs and innovative application and continual re-evaluation of existing programs have fueled our dramatic increase in productivity over the last few years and have resulted in record-breaking output in 2006. This year, HDC benefited from years of innovative thinking that have resulted in the increasing effectiveness of our core programs, LAMP and New HOP, the unique application of financial solutions, including a special bond structure used to finance 228 units of military housing at Fort Hamilton, Brooklyn, the creation of new programs like our Section 202 Preservation Program for senior housing preservation, the Affordable Cooperative Housing Program and an ongoing initiative to finance preservation of distressed properties receiving federal Section 8 assistance.

CORE PROGRAMS REMAIN POPULAR

One of our core programs – the Low-Income Affordable Marketplace Program ("LAMP") had a banner year this year, with 21 developments financed in the Bronx, Brooklyn and Upper Manhattan.

While LAMP has been in existence for years, it is being used in new ways. One development to receive LAMP financing this year is the Cedars, a special residence for grandparents raising their grandchildren in the Bronx. It will involve the restoration of a magnificent but faded mansion, which will be used as community space within a larger scale and will be heated and cooled with geothermal energy.

In Harlem, HDC issued pooled financing under LAMP for a project known as Lenox Powell, in which three vacant buildings will be gut rehabilitated and a new building on an adjacent vacant lot will connect two of the rehabilitated buildings to create 59 apartments.

While most of our developments under LAMP continued to be located in the South Bronx and Upper Manhattan, this year we began to see heightened activity in Brooklyn, particularly in East New York, a neighborhood with an acute need for affordable housing that promises to be fertile ground for further HDC investments. Our first two LAMP developments in East New York were financed this year: a cluster of six buildings on Malta Street and Alabama Avenue that will contain 48 affordable apartments, and, even bigger, a seven-story mixed-use building at Sutter and Pennsylvania Avenues with 103 affordable apartments and retail space for a much-needed supermarket on the ground floor. These developments have attracted media attention in an area desperate for affordable housing but where attached single-family homes have been the norm for new construction for many years. Across the borough in Downtown Brooklyn, the LAMP-financed Schermerhorn House will have 216 apartments split between formerly homeless households and low-income working actors.

Together, the 21 LAMP developments financed this year will provide 2,059 apartments in newly built and renovated buildings – all fodder for many ribbon cutting ceremonies in the years ahead. Another aspect of LAMP's success is the adaptability of its underwriting standards, which formed the basis for our new Section 202 Preservation Program, a program aimed at preserving affordable apartments for seniors that has gotten off to a brisk start.

BIG RESULTS FOR THE SECTION 202 PRESERVATION PROGRAM

Exemplifying the way that HDC finds unique financial solutions on a case-by-case basis to make development projects work, this year, HDC's year-old LAMP-based Section 202 Preservation Program was used to refinance 10 properties in an award-winning pooled-financing transaction with the Progress of Peoples Development Corp., a unit of Catholic Charities of the Roman Catholic Diocese of Brooklyn and Queens. This complex transaction, which generated more than $83 million in construction and permanent financing to preserve 1,008 apartments from Bay Ridge to Astoria, won the National Council of State Housing Agencies' 2006 Award for Excellence in Rental Housing: Preservation and Development. The apartments house nearly 1,300 seniors, 40% of whom have incomes below 30% of area median income. The pooled financing structure allows HDC to reduce costs of issuance while financing housing throughout many neighborhoods at one time. But this transaction, innovative as it was, was just one of many to flow from this new program.

Later in the year, the program generated $24.3 million for the preservation of eight buildings containing 392 apartments in Manhattan and Queens, from Logan Gardens in Harlem to Two Bridges Senior Apartments on the Lower East Side to the Selfhelp House in Bayside, Queens. In each of these cases, the Section 202 Preservation Program allows for the investment of 4% as-of-right tax credit equity and provides a lower interest rate than previous HUD mortgages on the properties, allowing the sponsor of each building to redirect more funding toward social services and less toward debt service.

GOVERNMENT AND PRIVATE SECTOR PARTNERS

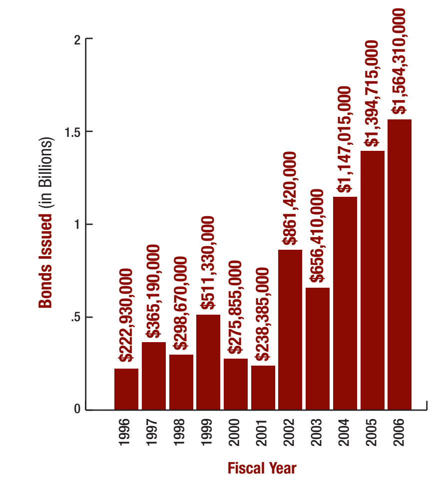
Our partnership with the New York City Department of Housing Preservation and Development (HPD) and the New York City Housing Authority has grown in recent years. This year we celebrated a ribbon cutting at University Macombs, a cluster of four vacant, formerly NYCHA-owned buildings in the Bronx that received gut rehabilitation, and one adjacent empty lot where a five-story new building now stands. The following day, HDC approved more than $11 million in financing for the second phase of that effort, which will preserve three sturdy but vacant nearby buildings that will contain 111 apartments. In June, HDC issued pooled financing for the gut rehabilitation of 124 apartments in eight vacant formerly NYCHA-owned buildings on scattered sites in the Mott Haven neighborhood in the Bronx. Later that month, HDC, HPD and NYCHA celebrated the groundbreaking ceremony for the reconstruction of the Housing Authority's Markham Gardens on the north shore of Staten Island, and anticipate issuing financing for that project in 2007.

In many ways our work with private sector players is just as critical to our recent successes. HDC's work with Omni New York and Mill Plain Properties, begun last year with the preservation of two developments in the Bronx, gained momentum this year as HDC financed preservation for two more developments, both receiving HUD subsidies under Section 8. In December 2005, HDC issued more than $11 million in construction and permanent LAMP financing for Grace Towers, a two-building, 168-unit development in East New York that had not had significant upkeep work performed since it was built in 1972. Seven months later, HDC issued nearly $8 million in LAMP financing for Target V, two buildings with 83 apartments at Grand Avenue and West Tremont Avenue in the Bronx that were built in 1924 and had fallen into disrepair by a neglectful owner. Water leaked through decrepit ceilings, graffiti covered stairwells and some tenants lacked electricity, heat and hot water. Thanks to these two deals, the total number of units rehabilitated through this collaboration jumped from 286 to 537.

STRUCTURES TO MEET COMMUNITY NEEDS

HDC has a tradition of offering flexible programs to ensure that developments meet the needs of communities and developers alike. This year HDC updated the structure of the Mixed-Income Program and New HOP to recognize that public land is in short supply, combat the rising costs of construction and increase incentives to build or preserve apartments affordable at lower-income bands. The Corporation nearly doubled the amount of second mortgage loans that could be awarded under these programs, from a maximum of $45,000 per apartment to a maximum of $85,000 per apartment under certain circumstances. To further reinforce housing production at the lower end of the affordable income spectrum, HDC decreased the maximum allowable incomes under these programs from 200% of the area median income to 175%.

A RECORD YEAR FOR HDC

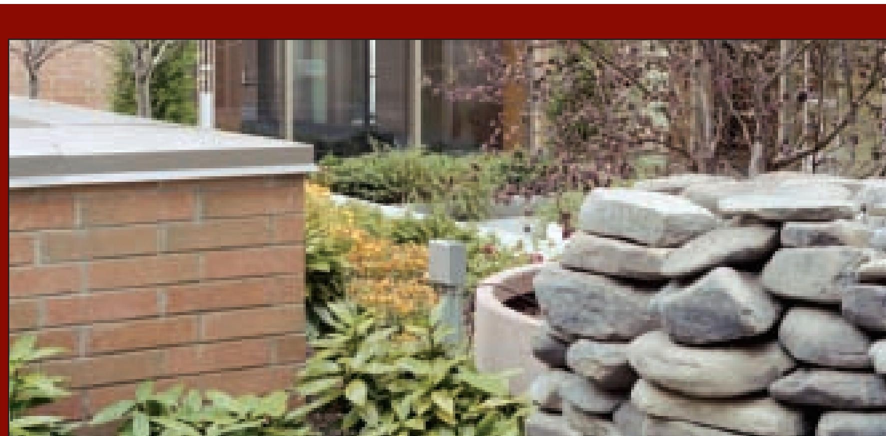
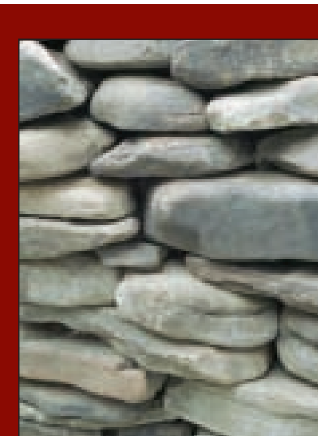


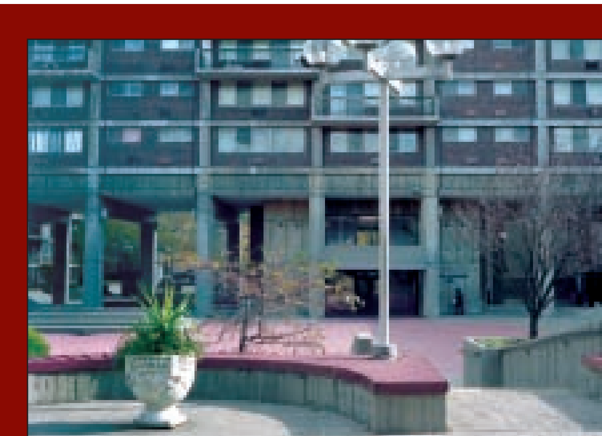
With $1.68 billion in tax-exempt and taxable bonds issued in fiscal 2006, and $68.5 million lent in the form of low-interest second mortgages, HDC was the most active issuer of affordable housing bonds in the nation. That amount ranks HDC as the number one issuer of multi-family affordable housing bonds for the third consecutive year, and the number one issuer of affordable housing bonds – period – for the first time this year. It is not a coincidence that this superlative comes to us after years of improving our programs, using them more flexibly and creatively on a deal-by-deal basis, and creating attractive new programs. It is this innovation that has led us to participate in so many ribbon cutting ceremonies.

We look forward to more ribbon cutting ceremonies in 2007 and beyond. When the ink is dry on HDC financing agreements and after the steel is in place and the bricks are laid, families move into their apartments made possible by our financing. This report will present stories from those families as they come home and strengthen New York City neighborhoods.

Emily A. Youssouf
President

Shaun Donovan
Chairman



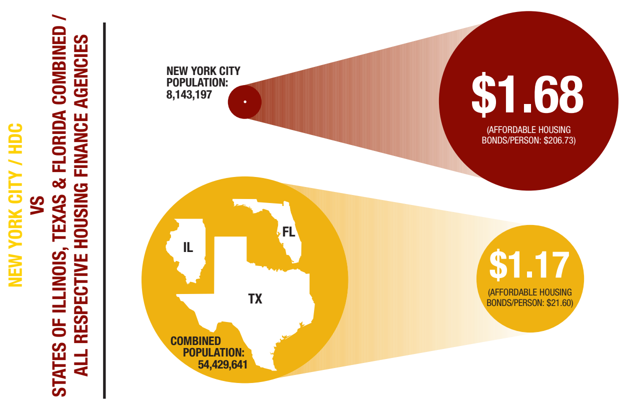

Mayor Michael R. Bloomberg was elected in 2002 on a platform that emphasized the importance of the economy and prioritizing initiatives that would ensure the long-term growth of the city. With an outlook that placed results above politics, Mayor Bloomberg tackled the basics of crime reduction and job growth, but nowhere was his vision of a healthy city more evident than in the administration's commitment to affordable housing.

It has been three and a half years since Mayor Bloomberg's New Housing Marketplace Plan took effect, marking the beginning of a dramatic increase in the amount of funding HDC has provided each year for affordable housing construction and preservation in New York City. With the ribbon cutting ceremonies on the earliest round of buildings financed under the *New Housing Marketplace* now occurring throughout the city, this is an appropriate time to step back and look at what has been accomplished over the past three and a half years.

HDC IS THE NUMBER ONE ISSUER

There are scores of housing finance agencies in the United States, some of which serve small and midsized cities and some of which serve whole states. After three and a half years of growth, HDC now annually issues more bonds – and attends more ribbon cutting ceremonies – than any of them. During fiscal year 2006, HDC issued $1.68 billion in bonds, half a billion dollars more than the combined total of the state agencies that serve Florida, Texas and Illinois. To put it another way, the housing finance agencies representing these three states, with a combined total of 55 million people living over 372,000 square miles, issued significantly less affordable housing debt than HDC, which serves only the 8.1 million people living in the 321 square miles of New York City.

Because of our exclusive focus on multifamily housing, HDC quickly became the nation's leader in the multi-family submarket after the *New Housing Marketplace* began, becoming the number one issuer in 2004 and 2005. This year, we became the leading



Source: Thomson Financial, U.S. Census

Kings County Senior Residence
172 Apartments
Crown Heights, Brooklyn

JEAN & FRANK WILLIAMS

Jean and Frank Williams have been married for 46 years. For 30 of those years, they have lived in the same apartment in Prospect Heights, Brooklyn. Originally from Trinidad, they moved to the United States in search of economic opportunity. They first came to New Jersey, where they stayed for a half dozen years, before settling in their apartment in Brooklyn.

Mr. Williams, 81, worked for 20 years as a shipyard machinist. Mrs. Williams, who declined to give her exact age but said she was in her 60s, was a clerk for AIG and Pfizer, keeping track of the books for a pair of the city's leading firms.

The couple has two grown children who live out of state, but rather than move to a new state, Mr. and Mrs. Williams said they preferred to stay in New York, even though their housing costs were increasing and their retirement income was fixed. When they found out through their church in Crown Heights that there were openings at the Kings County Senior Residence, a LAMP-financed building for low-income seniors, they applied for a spot.

This apartment building, which contains 172 apartments for independent seniors, was built on the grounds of the Kings County Medical Center in central Brooklyn, where it stands adjacent to the Susan McKinney Nursing Home. Its location allows residents to participate in the continuum of services provided at adjacent facilities while providing a comfortable setting in a residential neighborhood.

The building itself houses a senior service program that meets the residents' needs in health and wellness, training and counseling, education and employment opportunities. To be eligible for residence in the building, seniors or couples must be at least 62 years old and earn no more than 60% of the New York City Area Median Income, or $29,760 per year for an individual or $34,020 for a couple. "My rent has been increasing drastically every two years," Mrs. Williams said. "With my income, I wouldn't be able to exist without this apartment."

bond issuer among *all* U.S. housing finance agencies, even taking into account bonds that other agencies use to finance single-family housing developments, a figure that can be quite large for many agencies but is $0 at HDC.

This achievement is the result of a strong partnership with City and State officials. The amount of Private Activity Bond Volume Cap allocated recently has allowed the Corporation to issue record amounts of tax-exempt bond financing. Of course, it is also the result of a seemingly bottomless demand for affordable housing in New York City, the prioritization of affordable housing by the Bloomberg administration and the declining utility of traditional tools used to promote affordable housing, such as the transfer of city-owned land to developers, which has all but ceased as available land has been used. Perhaps most directly, our increasing activity is a result of innovations at HDC that have led to the creation of new programs, increasing effectiveness of older ones, and the flexible application of HDC resources to find solutions to housing finance challenges on a case-by-case basis.

HDC'S SECOND MORTGAGES FOR LAMP AND NEW HOP

As the *New Housing Marketplace* plan was taking shape in the early days of the Bloomberg Administration, officials earmarked more than $511 million in HDC corporate reserves for affordable housing. This money, lent to developers at 1% interest to supplement and write-down bond proceeds, is a big reason that HDC's core programs, the Low-Income Affordable Marketplace Program (LAMP) and the New Housing Opportunities Program (New HOP), have been so successful in recent years. The availability of these second mortgages draws

Four of the five children born to Andres Morales, 67, and his wife Iris, 62, are serving in the military, stationed from Texas to Japan. But the couple keeps them close to heart, as photographs of their children, twin girls and three boys, and *their* children (nine grandchildren to the Moraleses), adorn the walls, table tops and book shelves. The couple also proudly displays medals and awards earned by their children throughout their living room – testament to the work the couple did to ensure that their children would be good citizens and give back to their community and their country.

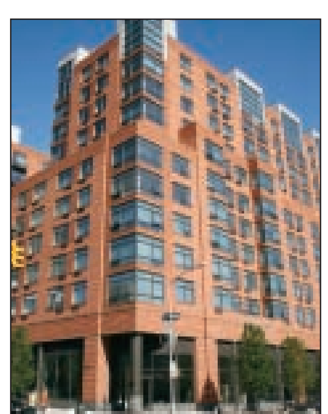
These two grandparents have been married for 43 years and have lived in Brooklyn for almost all of their lives. From the moment that you step foot into the Morales' one bedroom apartment, it is immediately clear that they work hard to keep a nice home. Iris's fresh tomato plants garnish the bay window and the smell of fresh spices grown from the balcony create an inviting aroma.

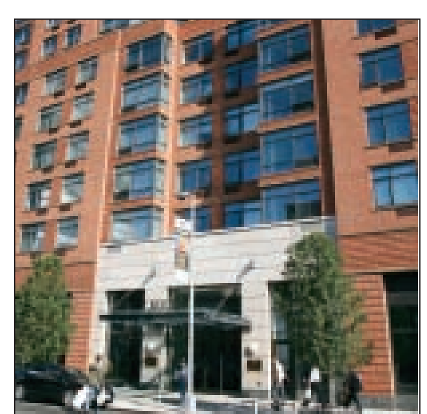
Iris was born in Puerto Rico and moved to the Bronx and then to Brooklyn and has been living in the borough since she was school age. Andres is originally from Ponce but spent most of his life in Brooklyn. "We love Brooklyn!" they say. "We have lived and worked in the community for so long and have seen the changes take place."

Thus, they were both relieved to find an affordable apartment at the Court House, also known as Atlantic Court, Brooklyn's first 80/20 building, financed by HDC in November 2003. When their previous apartment became damaged, the Moraleses' landlord placed them in several different apartments until the renovations could be completed. This situation became too much for Andres, who has a heart condition. He had triple bypass surgery in 2001 and cannot climb too many steps.

Their affordable third floor apartment at Atlantic Court is a perfect home.

IRIS & ANDRES MORALES





Court House
321 Apartments
Downtown, Brooklyn

Manhattan Court
122 Apartments
Harlem

developers who might have built at market rates into the income-restricted market and generating ribbon cutting ceremonies with meaning for low- and middle-income households.

LAMP, which combines the proceeds of tax-exempt bonds with low-interest mortgages from HDC, has been the Corporation's most active program outside of the Mitchell-Lama Preservation Programs. Under the *New Housing Marketplace* plan, LAMP has financed the construction or rehabilitation of 6,604 affordable apartments in 57 developments. New HOP, which combines taxable bond proceeds with HDC-financed second mortgages to provide apartments for middle-income families, has also been very successful, financing 964 affordable apartments over the past three and a half years in 16 developments.

MIXED-INCOME BUILDINGS

Drawing on the best aspects of both LAMP and New HOP, HDC has created programs that encourage the construction of buildings that mix households of different incomes together under one roof. This program, which has the benefit of reducing residential income segregation, works financially as well, giving HDC the ability to balance the needs of communities and developers at each particular development site.

HDC's 80/20 Program encourages the construction of mixed-income residences by allowing developers to combine private financing with the issuance of tax-exempt bonds and low-income housing tax credit equity. This concept was broadened to include a New HOP 80/20 Program, which produces entirely affordable buildings in which 80% of the apartments are reserved for middle-income families and 20% for low-income households. The Mixed-Income Program offers even more flexibility for developers and communities.

Buildings financed under the Mixed-Income Program ensure that at least 20% of available apartments will be reserved for low-income households, which allows the issuance of tax-exempt

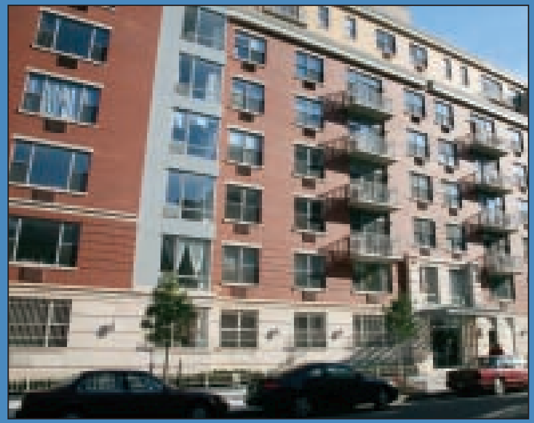
KRISTINE & DANIEL GUERRA

At Manhattan Court, HDC's first Mixed-Income building in Harlem, a young couple's married life together is as old as the building that houses their first home. Newlyweds Daniel and Kristine Guerra – both from Washington Heights – met as teenagers in 1999 at the Upper West Side church they attended. Then they both went off to college at Andrews University in Berman Springs, Mich., and returned to New York City to begin their careers. Once they were comfortably settled into positions – he works as a market researcher for a real estate company and she is a physical therapist – they were able to get married. The wedding took place in April 2006 at St. Paul's Chapel on the campus of Columbia University.

Everything was working out perfectly, except they were still living in crowded apartments with their parents and siblings. "You can sleep on a sofa bed for only so long," Mr. Guerra said.

The Guerras live in a one-bedroom apartment on the fifth floor with a view of a large apartment building under construction, which Mr. Guerra, the real estate market researcher, observes with interest. The apartment has amenities that their families are not accustomed to. "Our nephews and nieces love running around on the balcony," Mrs. Guerra said. "They always ask, 'Can we go out there'?"

Manhattan Court was financed under the Mixed-Income Program, but unlike the conventional 50/30/20, this building has only 8% of its apartments as market-rate units, allowing for 71% to be reserved for middle-income families and 21% reserved for low-income families. The eight-story, 122-unit building was financed in May 2004 with $17.5 million in HDC bonds.



bonds to finance these projects. HDC combines the bond proceeds with second mortgages from its corporate reserves to make financing attractive enough to keep many of the remaining apartments affordable as well. Besides allowing us to attend ribbon cutting ceremonies, this flexibility has led to a number of interesting combinations of income bands at HDC's mixed-income buildings. At Manhattan Court in Harlem, nearly three quarters of the apartments were reserved for middle-income households while only 8% were rented at market rates, while State Renaissance Court in Brooklyn included 50% more low-income apartments than required for tax-exempt bonds, because our program allows it. Since 2002 the new Mixed-Income Program has already financed five buildings containing 883 apartments, and more are in the pipeline.

MITCHELL-LAMA PRESERVATION PROGRAMS

Ribbon cutting ceremonies don't just take place at newly constructed buildings. Just as important are preservation initiatives that result in ribbon cutting ceremonies that draw attention to restored buildings that continue to provide affordable housing because of HDC investment. HDC's most successful preservation initiative to date is the one that preserves the affordability of Mitchell-Lama apartments.

Early in this decade affordability terms of the Mitchell-Lama low- and middle-income housing program began expiring and building owners began taking their buildings out of the program, quadrupling rents on long-time occupants. A problem that loomed for a generation gradually crept to the forefront as officials sought ways to prevent long-time tenants from being evicted.

Launched in June 2004, HDC's Mitchell-Lama Mortgage Restructuring and Repair Loan Programs ensure continued affordability of Mitchell-Lama dwellings by providing attractive refinancing terms for building owners while making grants and low-interest loans available for building repairs and upgrades. To date, these programs have kept 14,598 apartments from exiting the program. Most of these apartments were in buildings that owed outstanding mortgage balances to HDC. But in 2006, our programs attracted Mitchell-Lama buildings with debt administered by New York State: Ocean Gate in Coney Island, a three-building complex containing 542 apartments. We look forward to preserving more developments in the portfolio of State-managed affordable Mitchell-Lama properties.

But our use of innovative mortgage refinancing techniques to preserve affordable housing hasn't been limited to the Mitchell-Lama housing supply.

SECTION 202 PRESERVATION PROGRAM

HDC won national recognition for a unique pooled financing deal completed in December 2005 with Catholic Charities of the Diocese of Brooklyn and Queens that was conducted under the Section 202 Preservation Program. The 1,300 residents of those 10 buildings, and many other seniors throughout the city, will be celebrating ribbon cuttings in the years ahead as each tenant will enjoy rehabilitated and even upgraded buildings, continued affordability and enhanced social services.

Clinton Parkview
95 Apartments
Clinton, Manhattan

John Reed, 37, a novelist, book editor, professor of creative writing and lifelong New Yorker, jokes, "I've been priced out of every neighborhood I've lived in." Most recently, he and his wife of six years lived in a studio in Astoria and a one-bedroom apartment above a fish store. "It smelled like fish," he recalled, before noting the benefit: "We always got good fish." But the place was expensive and too small for his growing family.

Fortunately, he found an apartment at Clinton Parkview, an innovative mixed-income building at 52nd Street and Tenth Avenue in Manhattan that offers a mix of low- and middle-income apartments. While technically financed under LAMP, only 70% of this building's 95 apartments are reserved for low-income households, while 30% of the building's apartments are reserved for middle-income families. In this innovative mixture, the building paved the way for the introduction of HDC's Mixed-Income Program, which makes it easier for developers to bring people of different incomes together under one roof.

Mr. Reed's income – most of it from freelance work – is not entirely predictable, but a far too large chunk of it, he said, predictably goes to paying for health insurance. He and his wife, Yeardly, an abstract artist, have a two-year-old daughter, Eliza, who likes to play in the Dewitt Clinton Park, across the street.

He describes his novels – *The Whole, A Still Small Voice* and *Snowball's Clay* – as fairytales for adults. But were it not for the magical moment when he filled out the paperwork to apply for an apartment at Clinton Parkview, he said he wasn't sure how his family would be holding up. They were paying too much of their income toward rent at their old one-bedroom apartment above the fish store on 39th Street, but nevertheless he said they'd probably be there still. "I'd be pretty worried right now," he said.

THE REED FAMILY

Parkview Commons
646 Apartments
Melrose, the Bronx

In December 2004, HDC created a program to preserve the affordability and finance rehabilitation and upgrading work on buildings for low-income seniors that were originally financed by the U.S. Department of Housing and Urban Development, and continued to have mortgages with HUD. Because HDC's mortgage loans were issued at a lower rate, this program allowed the nonprofit social service organizations that own the buildings to direct more of their resources toward social services like group programming and increased presence of social workers. This program to date has preserved 1,669 apartments in 17 buildings across the city as of the close of the fiscal year, and – showing just how active the program was in fiscal year 2006 – in the waning days of the fiscal year, HDC issued bonds for an additional 252 apartments in 3 more developments, which closed early in fiscal 2007. But our partnership with HUD goes beyond the Section 202 Program.

SECTION 8 INITIATIVES

As noted in the 2005 Annual Report, HDC, HUDa and HPD became concerned with the deterioration of HUD-financed properties in the New York City region. To combat this alarming trend, HDC teamed up with Omni New York, LLC, which specializes in rehabilitating occupied income-restricted apartment buildings receiving federal Section 8 subsidies.

The partnership began in December 2004 with the issuance of mortgages for Thessalonica Court and Brookhaven I Apartments in the South Bronx. Since then, the partnership has doubled in size to take in two additional developments. The first was in East New York, Brooklyn, where Omni preserved Grace Towers, a 168-unit pair of buildings at Pennsylvania and Pitkin Avenues. The second was in the Bronx, where work is underway at a pair of buildings at 1971 and 1975 Grand Avenue that were severely neglected by their former owner even as increasingly desperate residents drew attention to their plight.

With HDC's financing at these four properties, Omni has installed new kitchen cabinets and new floors in apartments, tiles, tubs and toilets in bathrooms, boilers, hot water heaters and security cameras, and made electrical and plumbing upgrades. Because the mortgage loans were made through LAMP, which uses tax-exempt bond proceeds to finance the mortgages, long-term affordability of these developments is ensured.

LATOYA THOMAS

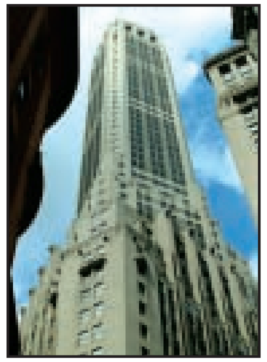
Latoya Thomas, 26, is a Harlem native who returned to New York City after graduating from Delaware State University. Although she studied fashion merchandizing, she ended up finding what she called heartwarming work in homelessness prevention. As a social worker for the City of New York's Human Resources Administration, she assists very low income families that are one step away from being forced into a shelter. "I prevent people from getting evicted or thrown out of their apartment," she said. "That's what I do every day."

Studies show that families and individuals often become homeless when they are living doubled-up in apartments of family members. After Ms. Thomas graduated from college, she moved in with her grandmother in the Morrisania neighborhood in the Bronx, who patiently allowed her to stay as long as she needed to as she searched for her own apartment. After staying a year longer than planned, Ms. Thomas found a one-bedroom apartment at Parkview Commons, a newly built LAMP-financed building with 110 apartments at East 161st Street and Elton Avenue in the Melrose neighborhood in the Bronx, where in recent years it seems as if construction is underway at every corner.

Parkview Commons' second phase, two buildings built back to back at 411-19 East 160th Street and 406-20 East 161st Street, will bring another 88 apartments to the community. Nearby, HDC has financed the Peter Cintron Apartments, the Palacio del Sol and the Cortlandt Avenue Apartments, which are bringing 646 affordable apartments to the area.

Construction of Parkview Commons' second phase was underway as Ms. Thomas moved in. She was approved early in the lottery process, and was shown a number of different units before settling on the one she liked the best. "The best part of this apartment is the closet space," she joked, before showing off a fairly substantial shoe collection. "I just loved the space."

USING LIBERTY BONDS TO FINANCE AFFORDABILITY



Shortly after the terrorist attacks of Sept. 11, 2001, Congress authorized the issuance of special Liberty Bonds, which aimed to restore the neighborhoods of Lower Manhattan that were most directly affected by the attack. HDC was authorized to issue up to $800 million in Liberty Bonds to create housing south of Canal Street. To date, the Corporation has issued $610 million from this allocation to finance the creation of 2,489 apartments, including $66.4 million issued in fiscal 2006 to finance the conversion of the City Bank Farmers' Trust Building at 20 Exchange Place into 366 apartments, helping to restore neighborhoods that were at real risk of decline.

The legislation creating the Liberty Bonds was aimed at quickly boosting the fortunes of a neighborhood attacked by terrorists. It did not require that the apartments provided be affordable to people at particular income levels, but because of HDC's commitment to its mission of affordability, HDC created an innovative "synthetic 80/20 program," to finance the creation of 20 affordable apartments in New York City for every 80 apartments created through the use of the Liberty Bonds. So every ribbon cutting ceremony at a Liberty Bond-financed building in Lower Manhattan represents a ribbon cutting ceremony elsewhere in the city on a building with affordable apartments for low- or middle-income families.

These income-restricted apartments, created by charging a 3% to 5% fee to developers using the Liberty Bonds, so far has generated $25 million, which HDC has added to the $511 million it originally allocated to finance our 1% second mortgages. This addition to the second mortgage pool has provided financing for six buildings in the Bronx, Upper Manhattan and Queens that together will contain 467 apartments reserved for low- and middle-income New Yorkers. Still more money for second mortgage money will be generated by the issuance of the remaining $190 million in Liberty Bonds that HDC expects to issue in the coming year.

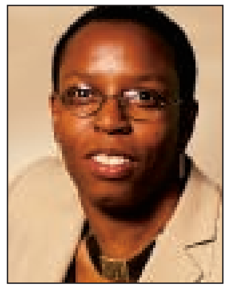
NEW HOUSING MARKETPLACE COMMITMENT INCREASED

As the saying goes, "no good deed goes unpunished." We don't view being asked to provide more financing for affordable housing to be any kind of punishment, but the early successes under Mayor Bloomberg have presented us with a much greater task. Under the mayor's original plan, which called for the construction or preservation of 65,000 housing units in five years and was announced in December 2002, HDC was asked to finance 17,000 apartments over five years. But, demonstrating how much HDC has succeeded beyond the early expectations, we fulfilled this goal in little more than 2½ years. When the Mayor dramatically enlarged the *New Housing Marketplace* plan to call for the creation or preservation of 165,000 housing units over 10 years, HDC was asked to finance a total of 42,000 apartments by 2013. We look forward to fulfilling this task in the years ahead, and attending all the ribbon cutting ceremonies that will result.

Silverleaf Hall
118 Apartments
Tremont, the Bronx

GOVERNING BOARD

Shaun Donovan
Commissioner, New York City Department of Housing Preservation and Development
Ex-Officio Chairperson



Martha E. Stark
Commissioner, New York City Department of Finance
Ex-Officio Member

Mark Page
Director, New York City Office of Management and Budget
Ex-Officio Member

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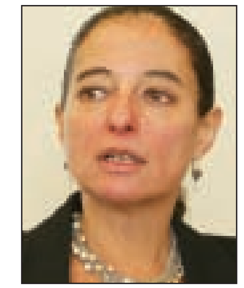
Mayoral Appointee

Mathew Wambua
Vice Chairperson
Mayoral Appointee

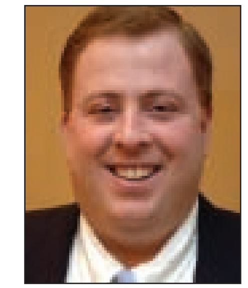
Michael W. Kelly
Gubernatorial Appointee

Charles O. Moerdler
Gubernatorial Appointee

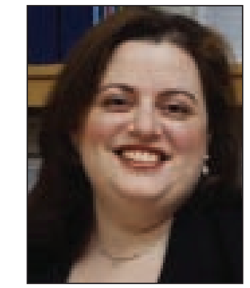
EXECUTIVE LEADERSHIP



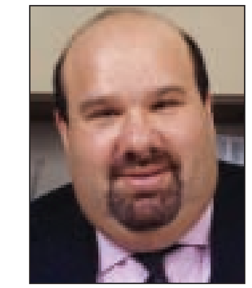
Emily A. Youssouf
President



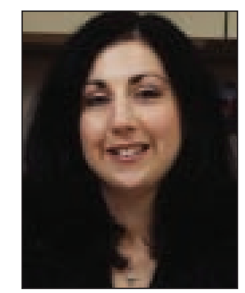
John A. Crotty
Executive Vice President and Chief of Staff



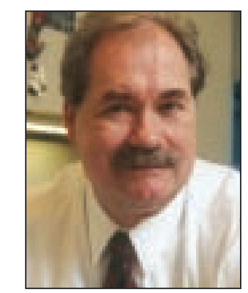
Rachel Grossman
Senior Vice President, Development



Richard Froehlich
Senior Vice President and Chief Counsel



Terry Gigliello
Senior Vice President, Asset Management



Urmas Naeris
Chief Credit Officer

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Stacy-Ann Bailey
Melissa Barkan
Polly Bascom
Cathleen A. Baumann
Denis A. Belic
Zenaida Bhuiyan
Helen Bojceniuk
Juliet Bolden
Gerald Boone
Matthew Brian
Claudine R. Brown
Geraldine Brown
Carolyn Brus
Clytie Brusch
Stacey Burress
Maria Louisa Carpio
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Evelyn Chen
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Samantha Coleman
John A. Crotty
Margaret Culbertson
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Anthony Deamorin

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Nicole DeNoia
Jeffrey R DeVito
Aaron Donovan
Natilya Durytska
Aaron W. Eckerle
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Sonia Medina
Sandra Mendez
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Mei Ping Wang
Micah S. Watts
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Simon Wu
Henry Yee
Winnie Yeung
Annie Yiu
Emily A. Youssouf
Cheuk Kin Yu
Yvette Yuille
Mohammed Zaman

DEVELOPMENTS IN HDC PORTFOLIO

as of Oct. 31, 2006 - *Including 1st and 2nd Mortgages (Amount Originally Issued) and Units*

PROGRAM NAME / BOROUGH / Project Name	First Mortgage	Second Mortgage	Units
501(C)(3)			
BROOKLYN			
55 Pierrepont St.	6,100,000		189
MANHATTAN			
Animal Medical Center	10,140,000		80
Lotts Residence (de Sales)	20,665,000	960,000	127
Marseilles Apts.	13,625,000		134
Village Care	9,790,000	2,000,000	85
TOTAL	60,320,000	2,960,000	615
80/20 PROGRAM			
BROOKLYN			
Atlantic Court Apts.	104,500,000		320
MANHATTAN			
1 Columbus Pl.	142,300,000		730
155 W. 21st St.	42,700,000		109
400 W. 55th St. (The Nicole)	65,000,000		150
520 W. 48th St.	20,000,000		109
92nd & First Residential Tower	50,000,000		196
Carnegie Park	66,800,000		460
Chelsea Centro	86,900,000	1,420,000	355
Columbus Apts.	22,570,000		166
James Tower Refund	22,200,000		201
Jane St.	16,450,000		148
Related Lyric	91,000,000		285
Related Monterey E. 96th St.	104,600,000		522
Related Sierra	56,000,000		213
Related Tribeca Towers	55,000,000		440
Related Upper East	70,000,000		261
Related Westport	124,000,000		371
Sagamore - W. 89th St.	53,000,000		265
The Foundry	60,400,000		222
W. 43rd St.	55,820,000		375
West End Towers	135,000,000		1,000
York Ave. Development	57,000,000		272
QUEENS			
Barclay Ave.	5,620,000		66
Queenswood Apts.	10,800,000		296
TOTAL	1,517,660,000	1,420,000	7,532
AFFORDABLE HOUSING PERMANENT LOAN PROGRAM			
THE BRONX			
1002 Garrison Ave.	487,000	344,009	20
1038 Boston Rd.	911,334	6,407,467	149
1189 Sheridan Ave.	455,000	1,183,000	48
1203 Fulton Ave. & 575 E. 168th St.	538,754		37
1296 Sheridan Ave.		2,537,000	59
1740 Grand Ave.	1,107,738	1,107,738	93
1985-1995 Creston Ave.	987,383	1,542,984	84
240 E. 175 St.	963,750	2,891,530	120
302 Willis Ave.	373,000	1,074,509	36
309 Alexander Ave.	222,000	273,000	11
4673 Park Ave.	185,000	114,553	8
651 Southern Blvd.	167,250	1,731,909	41
675 Coster St.	297,823	439,474	33
750 E. 169 St., 1227 Boston Rd.	456,000	2,164,000	40
865 E. 167th St.	903,652		52
887 & 889 Hunts Point Ave.	1,237,161	1,129,654	46
889-903 Dawson St.	1,120,000	4,238,000	96
982 Prospect Ave.	240,732		21
988-992 Boston Rd.	122,800	1,175,432	30
Freeman Simpson	1,230,000		67
Longfellow Hall	915,000	1,850,886	111
Morris Heights Cluster	1,896,000	3,171,000	203
Tremont-Anthony	1,207,706		32

	First Mortgage	Second Mortgage	Units
BROOKLYN			
1037-39 Bergen St.	654,949	280,000	24
141-3 5 Ave. 5th Ave. Corridor	631,000	1,454,590	36
1544 Park Ave. Assoc.	460,000	460,000	34
1615 St. Johns Pl.	788,000		34
171 Rockaway Blvd.	98,000	1,699,808	44
201 Pulaski & 335 Franklin Ave.	590,712	144,000	13
218 St. James Place	250,000	232,306	12
236 Greene Ave.	645,124	417,280	16
243 & 249 13 St.	749,771	582,910	50
270 Rochester Ave.	387,000	124,089	16
340 S. 3rd St.	129,230	543,932	40
36 Crooke Ave.	1,108,869	899,588	71
455 Decatur St.	255,850	227,000	8
480 Nostrand Ave.	250,000	1,042,075	25
5201 Synder Ave.	318,278	1,347,969	33
530 Herzl St.	120,931	1,210,713	44
709-715 Lafayette Ave.	815,000	260,640	24
753 Greene Ave.	164,000	1,795,426	41
932 Eastern Parkway	814,000	422,000	24
Clarkson Gardens	2,000,000	4,025,00	105
Van Buren St. Hope Equities	502,500	2,383,674	65
MANHATTAN			
1, 5, 7 & 9 W. 137th St.	872,329	2,418,798	68
110 W. 111th St.	550,080	1,896,192	48
128-136 Edgecombe Ave.	1,000,000	2,680,114	68
1572 Lexington Ave.	540,039	540,039	13
160-66 Morningside Ave.	694,871	680,029	29
1860-62 Lexington Av	475,000	124,109	15
2006 Amsterdam Ave.	691,514	358,000	21
201 W. 146th St.	133,650	184,350	12
2038 Fifth Ave.	195,000	58,419	7
205-213 W. 145th St.	1,512,431	2,550,477	62
21-23 & 29-31 E. 104 St.	1,144,000	1,144,000	70
215 Audubon Ave.	265,735	363,943	47
2245, 2259, 2285 & 2289 Adam Clayton Powell Jr. Blvd.	406,086	1,288,704	27
229-31 E. 105 St. & 307-9 Pleasant Ave.	2,635,000	1,175,000	54
2492-94 & 2502 Frederick Douglass Blvd.	152,000	1,175,747	27
252 Wadsworth Ave.	405,924		26
2653 & 2697 Frederick Douglass Blvd. (Azoic I)	1,839,700		18
270 St. Nicholas Ave.	369,950	1,058,318	77
2733 Frederick Douglas Blvd	406,000	515,000	12
30-32 Bradhurst Ave.	1,070,000	1,700,000	25
308 W. 147th St. (Azoic II)	1,209,676		25
328 & 340 Pleasant Ave.	629,500	354,900	10
36 W. 131st St.	430,885	436,215	14
445 W. 125th St.	1,495,970		22
466-470 W. 150th St.	760,314	203,277	62
520 Audubon Ave.	1,264,700	471,300	46
530 Audubon Ave.	757,800	757,800	46
54 Vermilyea Ave.	233,075	200,000	20
540 Audubon Ave.	859,300	614,700	46
557 Academy St.		321,360	50
630 W. 135th St.	234,262	337,738	31
70 Post Ave.	1,001,451		40
80, 88-90 Edgecombe Ave.	885,224	1,251,832	66
83 Post Ave.	142,91		20
Broadway Terrace	651,895	100,000	51
CATCH OTP Cluster 234 Bradhurst, etc.	959,444	798,887	73
Two Bridgeset	7,541,997	700,000	99
W. 148th St. Cluster	2,900,000		86
QUEENS			
334 Beach 54th St.	393,232		32
TOTAL	65,469,246	79,388,393	3,761

COOPERATIVE HOMEOWNERSHIP PROGRAMS	First Mortgage	Second Mortgage	Units
THE BRONX			
Daly Ave.	1,888,304	160,000	32
Tremont-Vyse I	1,416,228	120,000	24
Tremont Vyse II	1,062,171	90,000	18
Tremont Vyse III	1,770,285	150,000	30
BROOKLYN			
Bushwick Gardens Cooperative Apts.		3,960,000	88
South Williamsburg	6,645,000		105
MANHATTAN			
1400 Fifth Ave. Condominium		1,920,000	129
Beacon Towers		2,430,000	73
Bradhurst Court	10,000,000		128
Central Harlem Plaza	31,615,000	6,935,000	241
Harriet Tubman Gardens	5,920,000		74
Lenox (Shabazz) Gardens	4,590,000		51
Madison Park Apts.	7,500,000		129
Madison Plaza	7,360,000		92
Maple Court	11,863,627		135
Maple Plaza Co-op	16,750,000	2,260,000	155
Strivers Gardens		3,380,000	170
The Hamilton	6,080,000		77
The Palm and The Rio	5,100,000	4,995,000	111
The Sutton		6,075,000	135
The Washington	6,760,000		104
STATEN ISLAND			
Celebration Townhouses	8,768,000	1,030,000	74
TOTAL	135,088,615	33,505,000	2,175

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION	First Mortgage	Second Mortgage	Units
BROOKLYN			
Kings County Senior Residence	13,145,000		173
MANHATTAN			
Carnegie East House	30,115,000		104
Manhattan Park / Roosevelt Island	147,150,000		1,107
Wien House	9,395,000		100
QUEENS			
United Self Help	11,227,811		155
TOTAL	211,032,811		1,639

HOSPITAL STAFF HOUSING	First Mortgage	Second Mortgage	Units
THE BRONX			
Montefiore Medical Center	8,400,000		116
MANHATTAN			
E. 17th St. Beth Israel	34,800,000		240
Royal Charter (NY Hospital)	98,775,000		519
TOTAL	141,975,000		875

HOUSING ASSISTANCE CORPORATION LOANS	First Mortgage	Second Mortgage	Units
BROOKLYN			
196 Rockaway Parkway	2,617,000		71
255 Ocean Ave.	1,808,000		40
Gates Ave.	4,225,000		83
St. Edmonds Court	5,550,000		111
MANHATTAN			
405 E. 94th St.	945,000		24
QUEENS			
Queenswood Apts.	17,929,100		296
TOTAL	33,074,100		625

LIBERTY BOND PROGRAM	First Mortgage	Second Mortgage	Units
MANHATTAN			
2 Gold St.	217,000,000		650
20 Exchange Pl.	210,000,000		366
63 Wall St. (The Crest)	143,800,000		476
90 Washington St.	74,800,000		398
90 West St.	112,000,000		410
TOTAL	757,600,000		2,300

LOW-INCOME AFFORDABLE MARKETPLACE PROGRAM ("LAMP")

	First Mortgage	Second Mortgage	Units
THE BRONX			
1001 M.L.K. Blvd. (a/k/a University)	4,480,000	3,960,000	89
1046-1050 Hoe Ave.	900,000	420,000	42
1068 Gerard Ave.	11,920,000	4,510,000	82
1090 Franklin Ave.	6,200,000		60
1211 Southern Blvd.	17,000,000	9,482,054	123
1240 Washington Ave.	5,025,000	3,350,000	100
1314 Nelson Ave.	4,830,000		115
1434 Ogden Ave.	10,500,000		130
15 E. Clarke Pl.	11,600,000	5,610,000	102
2007 LaFontaine Ave. Apts	8,500,000		88
2035 Marmion Ave.	3,300,000		90
270 E. Burnside Ave. Apt	13,000,000		114
450-2 E. 148 St. (Brook East)	1,000,000		34
600 Concord Ave.	3,890,000	3,630,000	83
678 (aka 638) Sagamore St.	3,400,000		84
725 & 737 Fox St.	3,000,000		106
830 Fox St.	7,500,000	3,190,000	58
900 Ogden Ave.	4,600,000		120
ABEKEN Apts.	12,500,000	5,400,000	120
Aldus St. Apts.	14,200,000	7,480,000	164
Brook Ave. Gardens	2,750,000		79
Brook Willis Apts.	7,460,000		121
Brookhaven Apts.	9,100,000		95
Casa del Sol Apts	12,800,000	9,245,091	114
Claremont Park Apts.	12,480,000	5,390,000	98
Courtlandt Ave. Apts.	15,000,000	7,480,000	167
E. 165th St. Development	13,800,000	7,480,000	136
E. Tremont Ave. Apts	9,700,000	4,015,000	73
Freeman Gardens	4,225,000	1,980,000	36
Highbridge Apts.	32,500,000		296
Hoe Ave. Apts.	11,900,000	7,480,000	136
Jacob's Place	7,365,000	3,835,000	63
La Fontaine	3,100,000		74
Louis Nine Blvd. Apts.	9,500,000	4,180,000	95
Morris Ave. Apts.	22,700,000	385,000	209
Morrisania Terrace	5,175,000	2,545,874	42
Nelson Senior Houses	3,380,000		82
Ogden Ave. Apts. II	5,300,000		59
Palacio del Sol	7,420,000	3,150,000	124
Parkview Apts.	12,605,000	6,050,000	110
Parkview II	10,900,000	3,960,00	88
Peter Cintron Apts.	14,400,000		165
Prospect Ave.	15,200,000	9,588,777	124
Rev. Ruben Diaz Gardens (950 Westchester Ave.)	13,300,000		111
Silverleaf Hall	12,675,000	6,490,000	118
St. Ann's Apts.	1,449,229	2,468,000	58
St. Peter's Ave. Apts.	10,155,000	6,056,634	58
Target V	7,200,000	670,000	83
Thessalonica Court Apts.	19,500,000		191
University Macombs Apts.	14,000,000		210
Urban Horizons II	19,600,000	10,640,000	128
Villa Ave. Apts.	13,700,000		111
Vyse Ave. Apts.	9,650,000		96
West Tremont Ave. Apts.	8,450,000		84
Westchester Ave.	9,650,000	6,376,369	70
White Plains Courtyard	9,900,000		100
BROOKLYN			
1120-1122 Madison St.	670,000	349,000	16
1469-71 Bedford Ave. (Studebaker)	956,725	1,080,00	27
219 Sackman St.	939,000	1,634,000	38
45 Malta St.	4,850,000	2,640,000	48
500 Nostrand Ave.	3,212,000	1,589,000	46
56 Sullivan St.	626,418	960,000	20
Dr. Betty Shabazz Houses	7,400,000		160
Grace Towers	22,600,000		168
Granville Payne	12,250,000		103
Kings County Senior Residence	13,145,000	7,500,000	173
Linden Mews	1,230,000		36
Medger Evers Houses	8,400,000		308
Schermerhorn	30,000,000		217
Spring Creek IV	2,620,000		83

	First Mortgage	Second Mortgage	Units
MANHATTAN			
144 W. 144th St. Malcolm X	675,000	426,000	16
203-15 W. 148th St.	3,440,000	3,480,000	87
216 & 224 W. 141st St.	1,342,000	626,000	31
228-238 Nagle Ave.	9,000,000		90
259 W. 152nd St. / 67 Macombs Pl.	1,103,600	2,784,000	58
349-359 Lenox Ave.	761,000	1,207,000	26
542-48 & 552-58 W. 149th St.	1,659,000	732,000	36
55 E. 130th St.	968,000	496,000	25
55 W. 129th St.	1,818,000	811,000	40
70-74 E. 116th St.	712,532	1,104,000	23
8th Ave. (Madame CJ Walker)	2,200,000		41
Clinton Parkview	12,200,000		96
Harmony House	2,200,000		55
Lenox Powell Apts.	6,100,000	3,245,000	59
Olga Mendez Apts.	4,070,000	2,850,000	74
Tony Mendez Apts.	6,890,000		130
W. 153rd St.	9,960,000	4,675,000	85
QUEENS			
Wavecrest II	5,600,000		123
TOTAL	724,932,504	194,685,799	8,446

MITCHELL-LAMA

	First Mortgage	Second Mortgage	Units
THE BRONX			
Corlear Gardens Coop.	972,100		118
Keith Plaza	6,814,687	7,981,000	310
Kelly Towers	4,525,363	5,438,100	302
Kingsbridge Apart	1,997,900	1,040,645	91
BROOKLYN			
Cadman Tower Coop	9,487,100		422
Contello Tower III	1,277,900		161
Essex Terrace Apts.	1,749,100	317,421	104
Linden Plaza	50,301,388		1,527
Tivoli Towers	8,098,200	5,040,111	314
MANHATTAN			
Beekman Staff Residence	1,226,300		90
Bethune Tower			135
Columbus Park Tower	1,467,900		163
East Midtown	17,157,400		746
Esplanade Gardens	14,668,007	28,730,568	1,872
Knickerbocker Plaza	24,232,719		578
Ruppert House Coop	16,778,000	9,322,000	652
St Martins Tower	2,865,500		179
Tower West	3,996,100		217
Trinity House	2,540,500		200
Westview Apts.	1,656,000"		138
QUEENS			
Bay Towers	5,475,544	8,943,600	375
Bridgeview III	1,950,900		171
Court Plaza	5,368,893		247
Forest Park Crescent	1,756,900		240
Goodwill Terrace	3,606,100	835,000	208
Seaview Towers	13,264,700	10,167,400	460
TOTAL	203,235,201	77,815,845	10,020

MITCHELL-LAMA PRESERVATION PROGRAMS

	Mortgage Restructuring	Subordinate Mortgage	Repair Loan	Units
THE BRONX				
Albert Einstein	8,918,472	35,121,202		635
Carol Gardens Apts.	3,046,070	3,720,562	3,564,000	315
Kingsbridge Arms	781,967	1,547,621		105
Montefiore Hospital II	7,007,537	12,776,566		399
Scott Tower	2,792,548	5,098,129		352
Stevenson Commons	29,012,737	8,328,264	11,229,999	947
Woodstock Terrace	2,248,769	4,546,700		319
BROOKLYN				
Atlantic Plaza	5,930,232	12,563,183	6,011,986	716
Brighton Houses Co-op	1,499,656	1,972,447		193
Cadman Plaza N. Co-op	2,114,473	3,719,571		251
Crown Gardens Co-op	8,241,952	2,696,460	252,320	238
First Atlantic Terminal	6,882,575	2,129,598		201
Second Atlantic Terminal	10,809,667	5,164,401	3,000,000	305

	Mortgage Restructuring	Subordinate Mortgage	Repair Loan	Units
MANHATTAN				
1199 Plaza	58,530,903	25,326,809		1,594
Clinton Tower	12,651,477	3,415,846		396
Confucius Plaza Co-op	28,663,900	2,848,501		762
Goddard Riverside	2,419,560	3,097,903	1,505,860	194
Gouverneur Gardens	6,085,757	11,581,093		782
Hamilton House	3,552,085	2,599,800	4,840,000	176
Jefferson Tower	1,644,805	2,482,118	1,447,870	190
Lincoln Amsterdam	7,490,187	1,886,822	1,546,618	186
Phipps Plaza South	30,098,700			404
Riverbend Co-op	8,399,679	4,848,014		626
RNA House	1,870,978	3,047,286	954,945	208
Rosalie Manning	914,615	1,187,315	275,000	109
Stryckers Bay	1,821,496	2,999,156	1,995,000	234
Tri-Faith House	1,518,666	2,673,205		148
Village East	4,219,371	7,882,246		434
Washington Square SE	1,935,618	2,430,779	1,320,000	175
STATEN ISLAND				
North Shore Plaza	16,977,913	1,967,776	11,157,846	536
TOTAL	278,082,367	179,659,372	49,101,444	12,130

MIXED-INCOME PROGRAM

	First Mortgage	Second Mortgage	Units
BROOKLYN			
State Renaissance Court	35,200,000	3,510,000	158
MANHATTAN			
89 Murray St.	49,800,000		163
Manhattan Court	17,500,000	4,237,500	123
The Aspen	44,000,000	2,750,000	231
W. 61st St. Apts.	54,000,000		211
TOTAL	200,500,000	10,497,500	886

MODERN REHABILITATION PROGRAM

	First Mortgage	Second Mortgage	Units
THE BRONX			
B&L Grand Concourse	3,680,000		102
BROOKLYN			
285 Development	1,800,000		58
MANHATTAN			
Kamol Apts.		578,265	50
Revive 103 North	978,600	884,400	30
QUEENS			
Astoria Apts.	2,193,200	3,951,500	62
TOTAL	8,651,800	5,414,165	302

NEW HOUSING OPPORTUNITIES PROGRAM (“NEW HOP”)

	First Mortgage	Second Mortgage	Units
THE BRONX			
1514 Sedgwick Ave.	10,185,000	4,320,000	96
3815 Putnam Ave. / W. 238th St.	8,290,000	1,820,000	91
Beechwood at Needham	4,400,000	1,600,000	47
Orloff Ave.	10,740,000	4,545,000	101
Palmer Ave.	12,068,769	3,034,170	135
Putnam Deegan II	4,310,000	1,430,000	44
Twin Pines Apts.	2,965,000	1,440,000	28
BROOKLYN			
139 Emerson Pl.	4,000,000	1,250,000	50
167 Clermont Ave. Armory	10,340,000	2,200,000	111
221 Parkville Ave.	4,550,000	1,600,000	41
277 Gates Ave.	2,500,000	875,000	35
287 Prospect Ave.	4,740,000	886,000	52
421 Degraw St.	7,713,000	1,710,000	90
471 Vanderbilt Ave.	2,330,000	520,000	26
50 Greene Ave.	3,619,00	1,322,100	39
64 W. 9th St.	3,060,000	725,000	26
79 Clifton Pl.	3,800,00	720,000	40
800 Bergen St.	1,570,000	1,280,000	32
893-895 Pacific St.	1,490,000	200,000	16
Ft. Hamilton Military Housing	47,545,00		228
Knox Place 369 St. Marks Ave. / 597 Grand Ave.	3,617,000	1,462,000	52
Ralph Ave.	9,190,000	2,330,000	72
Ralph Ave. II	9,810,000	2,952,000	72
MANHATTAN			
116 W. 116th St.	2,575,000	945,000	21
130-136 W. 112th St.	5,450,000	1,845,000	41
138 E. 112th St.	6,210,000	1,612,500	43

	First Mortgage	Second Mortgage	Units
15-21 W. 116th St.	5,850,000	1,362,000	38
201 W. 148th St.	1,785,000	1,125,000	25
202-18 W. 148th St.	6,550,000	3,300,000	100
210-214 E. 118th St.	3,400,000	1,012,500	27
2232 First Ave., et. al.	1,910,000	630,000	21
235-47 E. 105th St.	3,800,000	1,800,000	48
351 E. 4th St.	3,460,000	869,000	33
394 E. 8th St.	4,047,000	950,000	38
Artimus Vacant Buildings	3,020,000	1,470,000	41
Azure Holdings II	5,820,000	3,800,000	110
Beacon Mews	23,500,000	5,625,000	125
Bethany Place	2,435,000	725,000	28
Cassiopeia Apts. (250 W. 116th St.)	2,815,000	1,440,000	32
Harlem Gateway I	4,570,000	1,530,000	50
Larkspur W. 117th St.	17,600,000	3,720,000	94
Little Larkspur	3,445,000	825,000	22
The Douglass	18,770,000	3,492,000	138
Triangle Court I	3,820,000	1,275,000	51
Triangle Court II	3,440,000	1,060,000	40
Triangle Court III	14,000,000	3,152,500	97
W. Guerrero and Assoc.	1,530,000	250,000	17
QUEENS			
136-14 Northern Blvd.	7,000,000	1,950,000	60
136-43 37 Ave. DC Colonade	6,685,000	480,000	60
137-02 Northern Blvd.	7,200,000	1,775,00	71
140-26 Franklin Ave.	5,451,000	1,415,000	54
14-56 31st Dr.	7,400,000	1,450,000	60
32-08 Union St.	2,770,000	642,500	25
46-19 88th St.	1,320,000	475,000	17
58-12 Queens Blvd.	12,825,000	2,250,000	122
84th Drive	6,760,000	1,470,000	49
90-05 161st St. (Yorkside I)	9,100,000	2,925,000	90
95-01 Rockaway Blvd	5,380,000	2,880,000	72
99-22 67th Rd.	3,390,000	1,010,000	29
Austin St.	12,000,000	2,250,000	132
Bayside Gardens	2,092,000	500,000	26
Beach 94 St. (Shoreview)	7,640,000	2,240,000	92
Yorkside Towers II	10,065,000	3,375,000	90
TOTAL	429,712,769	109,124,270	3,853

NEW VENTURES INCENTIVES PROGRAM (“NEW VIP”)

	First Mortgage	Second Mortgage	Units
THE BRONX			
New VIP 457-499 E. 148th St.	3,000,000		
TOTAL	3,000,000		

NEW YORK CITY HOUSING AUTHORITY CAPITAL IMPROVEMENT PROGRAM

	First Mortgage	Second Mortgage	Units
THE BRONX, BROOKLYN, MANHATTAN, QUEENS & STATEN ISLAND			
NYCHA Securitization	281,610,000		22,606
TOTAL	281,610,000		22,606

SECTION 8

	First Mortgage	Second Mortgage	Units
THE BRONX			
Clinton Arms	4,962,700		86
Woodycrest II	3,199,800		58
BROOKLYN			
1650 President St.	2,411,200		48
Borough Park Court		6,552,195	131
Crown Heights I	2,197,400		36
Crown Heights II	1,744,700		32
Fulton Park 7&8	13,780,70		209
La Cabana	9,603,700		167
President Arms	1,326,500		32
MANHATTAN			
Revive 103	4,318,100		60
TOTAL	43,544,800	6,552,195	859

SECTION 202 PRESERVATION PROGRAM

	First Mortgage	Second Mortgage	Units
BROOKLYN AND QUEENS			
Progress of Peoples Developments	83,400,000		1,008
MANHATTAN			
Fania Gersham Apts.	2,500,000		29
Logan Gardens	4,230,000		104
Phelps House	12,645,000		169
Two Bridges Senior Apts.	8,500,000		109
QUEENS			
Selfhelp House	9,100,000		150
TOTAL	120,375,000		1,569

FINANCIAL REVIEW 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended October 31, 2006

INTRODUCTION

The New York City Housing Development Corporation ("HDC" or the "Corporation") is a State public benefit corporation that finances affordable housing in New York City. HDC issues tax-exempt and taxable debt and uses the proceeds to make loans for new residential construction and rehabilitation. HDC, which is financially self-supporting, also lends its own internally-generated funds for these purposes. All of these activities are reported in the financial statements under the heading "Housing Development Corporation."

HDC currently has two active subsidiaries that are discretely presented as component units in the financial statements. The Residential Mortgage Insurance Corporation ("REMIC") insures residential mortgages in New York City. The Housing Assistance Corporation ("HAC") made mortgage loans for affordable housing in the 1980s and provides rental subsidy assistance to a small number of residential developments.

The Corporation's annual financial report consists of three parts: *management's discussion and analysis* (this section), the basic *financial statements*, and *required supplementary information* which is the schedule of the funding program and follows directly after the notes to the financial statements.

This section of the Corporation's annual financial report presents our discussion and analysis of the Corporation's financial performance during the fiscal year that ended on October 31, 2006. This period is also referred to as Fiscal Year 2006. Data is presented for the primary governmental entity HDC only. Figures have been rounded to facilitate reading.

FINANCIAL HIGHLIGHTS

- Significant growth in assets and liabilities due to ongoing financing activities and the acquisition of loan assets.
- Thirty-eight bond series sold, totaling $1.56 billion, to create and preserve affordable housing. Of the total issued, $907.8 million was new money and $656.5 million was refinancing of previously issued debt.
- Total assets of $7.35 billion, an increase of $713.0 million or 10.7% from 2005
  – Cash and investments of $1.71 billion.
  – Mortgages, notes and loan participation interests receivable, and purpose investments of $5.52 billion.
  – Other assets totaling $119.2 million.
- Total liabilities of $6.37 billion, an increase of $529.8 million or 9.0% from 2005
  – Bonds payable of $5.15 billion.
  – Other liabilities of $1.22 billion.
- Total net assets of $984.7 million, an increase of $183.1 million or 22.8% from 2005
  – Income before Special Item of $85.0 million, an increase of $40.6 million from 2005. This increase was mainly due to income on loan participation interest on the REMIC loan trust and purchased non-participation 2nd mortgage loans in Mitchell-Lama Restructuring Programs.
  – Loan participation agreement resecuritization proceeds of $98.1 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Corporation is a self-supporting entity and follows enterprise fund reporting. An enterprise fund reports activity that is financed with debt that is secured solely by a pledge of the net revenue from that activity as well as activity that is not supported by taxes or similar revenues. HDC's financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. The accrual basis of accounting matches revenues and expenses to the time period in which they are earned or attributable, respectively, which may differ from the period in which the associated cash is received or expended.

Enterprise fund statements offer short-term and long-term financial information about the Corporation's activities. While detailed sub-fund information is not presented in the Corporation's financial statements, separate accounts are maintained for each bond issue and component unit, as well as the Corporation's general operating fund, known as the Corporate Services Fund. In addition, HDC also services construction and permanent loans on behalf of New York City's Department of Housing Preservation and Development ("HPD"). These sub-funds permit HDC to control and manage money for particular purposes and to demonstrate that the Corporation is properly using specific resources.

HDC's Assets and Liabilities

The Combined Balance Sheet in the financial statements presents the Corporation's assets, liabilities, and net assets as of October 31, 2006. The following table represents the changes in the primary entity HDC's net assets between October 31, 2005 and 2006 and should be read in conjunction with the financial schedules. Dollars are in thousands.

		2006	2005	Change	Percent Change	2004
Assets						
Cash and Investments	$	1,710,341	1,578,221	132,120	8.4%	1,251,638
Mortgage Loans		4,995,116	4,450,301	544,815	12.2%	3,651,489
Notes Receivable		110,469	61,376	49,093	80.0%	47,545
Loan Participation Interests Receivable		217,150	233,054	(15,904)	(6.8%)	—
Purpose Investments		198,590	196,284	2,306	1.2%	189,672
Other		119,166	118,669	497	0.4%	89,952
Total Assets		7,350,832	6,637,905	712,927	10.7%	5,230,296
Liabilities						
Bonds Payable (net)		5,149,414	4,607,370	542,044	11.8%	3,806,116
Payable to Mortgagors		250,153	231,167	18,986	8.2%	200,649
Payable to New York City		795,736	854,339	(58,603)	(6.9%)	351,073
Deferred Income		104,571	92,307	12,264	13.3%	74,509
Other		66,219	51,115	15,104	29.5%	40,810
Total Liabilities		6,366,093	5,836,298	529,795	9.0%	4,473,157
Net Assets						
Restricted		417,997	388,148	29,849	7.7%	334,706
Unrestricted		566,742	413,459	153,283	37.0%	422,433
Total Net Assets	$	984,739	801,607	183,132	22.8%	757,139

Assets of the Corporation consist largely of mortgage loans; participation interests in cash flows from pools of mortgage loans; housing-related notes receivable and purpose investments; and cash and investments, including bond proceeds, debt service and other reserves, funds designated for various housing programs, and working capital. Total assets grew 10.7% or $713.0 million from 2005. In the prior fiscal year, total assets increased $1.4 billion or 26.9% mainly due to the Corporation's ongoing debt issuance and lending activities, and acquisition of loan assets.

The growth in total assets in 2006 was due primarily to the Corporation's ongoing debt issuance, and lending activities and acquisition of loan assets. When HDC sells bonds, the bond proceeds are an investment asset until converted to a loan asset once disbursed. The asset value is generally offset by the related bond liability. The second significant source of Fiscal Year 2006 growth in assets, also arising from HDC's ongoing housing activities, was the origination or purchase of various loan interests that will transfer to New York City at a future date when the related HDC bonds are retired. Because the City holds a residual interest in these various loan interests, the asset value in excess of the related bonds is generally offset by a corresponding Payable to New York City liability.

Liabilities of the Corporation can be grouped into three main categories. By far the largest is HDC bonds outstanding, which totaled $5.15 billion at October 31, 2006. The second largest category is payables. This includes funds which are held and administered by HDC but are the property of others, such as escrows held by HDC in the course of its loan servicing functions, and construction loan funds administered on behalf of HPD. Payables also include other assets which will ultimately revert to The City of New York under various loan participation and other agreements, including loan assets which are currently held by HDC and pledged to pay HDC bonds, but transfer to New York City when the related bonds are retired. A third major type of liability is deferred income: HDC receives certain mortgage- and bond-related fee income as cash but, using the accrual method of accounting, only recognizes the income when earned over the appropriate time period. The unrecognized income is shown as a liability.

Total liabilities of the Corporation were $6.37 billion at October 31, 2006. Liabilities grew 9.0% or $529.8 million from the prior year, principally as a result of HDC issuing 38 new bond series during Fiscal Year 2006, net of bond redemptions and retirements. Although there was a small decrease in the Payable to New York City as a whole, two separate transactions, amongst other minor ones, caused an increase and a decrease to the payable during the year. First, the aforementioned origination or purchase of participation interest with HPD in the Mitchell-Lama second loans caused an increase of $43.0 million. Second, netting against this increase, the Corporation, working with The City, resecuritized a loan participation agreement with the 2006 Series A bonds that provided the Corporation $98.1 million to continue its affordable housing mission. The Payable to New York City liability increased $503.3 million or 143.3% from 2004 to 2005.

Net assets of the Corporation are the excess of assets over liabilities, and totaled $984.7 million for the Corporation as of October 31, 2006. This represents an increase of $183.1 million or 22.8% over the prior year. The significant growth of net assets in fiscal year 2006 is due to two factors. First, the aforementioned loan participation agreement resecuritization proceeds of $98.1 million from the 2006 Series A bonds to continue the Corporation's affordable housing mission in support of the Mayor's Affordable Housing Program Initiatives. This increase is a one-time transaction and is reported as a Special Item for financial reporting purposes. Second, growth in net assets of $85.0 million resulting from revenues in excess of expenses, which is discussed below. In 2005 total net assets increased $44.5 million or 5.9%.

Net assets are classified as restricted or unrestricted, with restricted assets being committed by law or contract to specific purposes. HDC's most significant restricted assets include debt service reserves for HDC bond issues and undisbursed bond proceeds held prior to construction advances. Unrestricted assets may be classified as designated or undesignated. Designated assets are those allocated by HDC Board action or policy for specific purposes, such as rating agency reserves (to support the Corporation's general obligation rating), specific housing loan programs to which the Corporation has committed resources under the Mayor's New Housing Marketplace Program, and working capital. Virtually all of the Corporation's net assets are either restricted or designated.

HDC's Revenues and Expenses

The Combined Statement of Revenues, Expenses and Changes in Fund Net Assets in the financial statements presents revenues recognized in and expenses attributed to the period November 1, 2005 to October 31, 2006. The table below summarizes the primary entity HDC's revenues and expenditures and presents comparative data. It should be read in conjunction with the financial statements. All amounts are in thousands of dollars.

		2006	2005	Change	Percent Change	2004
Revenues						
Interest on Loans and Participation Interests	$	227,635	152,583	75,052	49.2%	123,074
Investment Earnings		64,287	42,639	21,648	50.8%	22,612
Fees and Charges		27,988	27,361	627	2.3%	30,052
Other Revenues and Transfers In		396	421	(25)	(5.9%)	161
Total Revenues		320,306	223,004	97,302	43.6%	175,899
Expenses						
Bond Interest		217,843	144,171	73,672	51.1%	100,983
Operating Expense		29,115	26,827	2,288	8.5%	23,735
Other (Revenues) Expenses and Transfers Out		(11,630)	7,538	(19,168)	(254.3%)	4,232
Total Expenses		235,328	178,536	56,792	31.8%	128,950
Special Item						
Loan Participation Agreement Resecuritization Proceeds		98,154	—	98,154	—	—
Change in Net Assets	$	183,132	44,468	138,664	311.8%	46,949

Revenues of the Corporation are classified as operating and non-operating. Interest income from mortgage and other loan-related interests represents the Corporation's major source of operating revenue, which also includes various loan and bond program fees such as commitment, financing, and mortgage insurance and servicing fees. The Corporation's non-operating revenues consist mostly of earnings on investments including purpose investments. Investment income accrues to the benefit of the program for which the underlying sources of funds are utilized.

HDC's expenses are also classified as operating and non-operating. Operating expenses are led by interest on bonds, which accounted for 88.2% of operating expenses in Fiscal Year 2006. Other operating expenses include corporate operating expenses (salaries, overhead, and depreciation) and fees. Non-operating expenses are relatively minor and consist largely of amortization of the capitalized value of a purchased cash flow.

HDC's net income (change in net assets) for Fiscal Year 2006 was positively or negatively affected as described below:

- Interest on loans rose $75.1 million or 49.2%, mainly due to higher variable interest rates and loan balances, and also income from prepayment of the non-participating loans in the Mitchell-Lama Program. In 2005, interest on loans increased by $29.5 million or 24.0% from the previous year due to higher variable interest rates and loan balances.
- Earnings on investments grew by $21.6 million or 50.8% due to higher invested balances and higher short-term rates. In 2005, earnings on investments increased $20.0 million or 88.6% from the previous year for similar reasons.
- Interest expense grew from $144.2 million to $217.8 million or 51.1% mainly due to HDC bond issuance and rising variable interest rates. In 2005, interest expense increased by $43.2 million or 42.8% from the previous year for similar reasons.
- Other operating expenses increased $2.3 million or 8.5% due to higher operating costs related to the growth in HDC's volume of business and the recognized cost of Other Post Employment Benefits ("OPEB") for FY 2006. In 2005, other operating expenses increased by $3.1 million or 13.0% from the previous year due to higher operating costs and accelerated depreciation of outdated computer software and hardware.
- Net non-operating revenues rose by $19.2 million or 254.3%, mainly due to recognition of New York City program related pass-through expenses for TFA Interest Cap expense and the loan sale programs deficit (2002/3 Series D and 2006 Series A).
- As a result of the factors above, the Corporation's growth in net assets resulting from revenues in excess of expenses is $85.0 million. Combined, the Corporation's net assets in fiscal year 2006 were $183.1 million, an increase of $138.7 million from fiscal year 2005.

The change in net assets of the Corporation over the last five years is shown in the table below. Dollars are in thousands.

Fiscal Year		2006	2005	2004	2003	2002
Change in Net Assets	$	183,132	44,468	46,949	47,392	42,722

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

DEBT ADMINISTRATION

At year-end, the Corporation had $5.15 billion of bond principal outstanding, net of deferred bond refunding costs, discount and premium, an increase of 11.8% over the prior year. The following table summarizes the changes in bonds payable between October 31, 2005 and October 31, 2006, with October 31, 2004 data presented for additional comparison. Dollars are in thousands.

		2006	2005	2004	Percentage Increase FY 2005 to 2006
Bonds Payable	$	5,149,414	4,607,370	3,806,116	11.8%

NEW BUSINESS

During Fiscal Year 2006, the Corporation issued 38 new taxable and tax-exempt bond series totaling $1.56 billion. Included in this total were thirteen series of Housing Revenue Bond Program bonds totaling $555.5 million, eighteen series of Multi-Family Mortgage Revenue Bonds Rental Projects Program bonds amounting to $463.6 million, one series of Multi-Family Secured Mortgage Revenue Bonds totaling $6.2 million and six series of Liberty Bonds totaling $539.0 million. All of these funds are being used to provide mortgage and loan financing. In further support of its affordable housing mission, the Corporation also made low interest loans from its net assets. Between the end of Fiscal Year 2006 and December 31, 2006, HDC issued 21 additional series of bonds in the aggregate amount of $619.5 million.

In addition, during fiscal year 2006 the Corporation adopted Government Accounting Standard Board ("GASB") No. 45 for Other Post Employment Benefits ("OPEB") and recognized an annual cost of $1.6 million. The actuarial accrued liability for benefits was $13,779,000 as of October 31, 2006, all of which is unfunded.

CONTACTING THE CORPORATION'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Corporation's finances and to demonstrate the Corporation's accountability for the resources at its disposal. If you have questions about this report or need additional financial information, contact the Public Information Officer, New York City Housing Development Corporation, 110 William Street, New York, NY 10038. The Corporation also maintains information at www.nychdc.com.

REPORT OF INDEPENDENT AUDITORS

To the Members of the New York City Housing Development Corporation:

We have audited the accompanying basic financial statements of the New York City Housing Development Corporation (the Corporation), a component unit of the City of New York, and its discretely presented component units, as of and for the year ended October 31, 2006, which collectively comprise the Corporation's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Corporation's 2005 financial statements and, in our report dated January 31, 2006 we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Corporation's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Corporation and its discretely presented component units, as of October 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

As discussed in Note 13 to the financial statements, effective October 31, 2006, the Corporation adopted the provisions of Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.*

Management's discussion and analysis and the schedule of funding progress on pages 29 to 32 and page 61 are not a required part of the basic financial statements but are supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of this required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purposes of forming an opinion on the basic financial statements taken as a whole. The supplementary information included in Schedule 2 on pages 62 to 63 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Ernst & Young LLP

January 26, 2007

BALANCE SHEETS

At October 31, 2006 (with comparative summarized financial information as of October 31, 2005) (in thousands)

	Discretely Presented Component Units				
	New York City Housing Development Corporation	New York City Housing Assistance Corporation	New York City Residential Mortgage Insurance Corporation	Total 2006	Total 2005
Assets					
Current Assets:					
Cash and cash equivalents	$ 224,082	—	—	224,082	242,950
Investments	267,132	—	—	267,132	95,520
Receivables:					
Mortgage loans	152,607	—	—	152,607	67,606
Accrued interest	18,725	12	—	18,737	16,576
Other	1,128	—	10	1,138	1,311
Total Receivables	172,460	12	10	172,482	85,493
Other assets	340	—	15	355	284
Total Current Assets	**664,014**	**12**	**25**	**664,051**	**424,247**
Noncurrent Assets:					
Restricted cash and cash equivalents	280,685	3,563	5,408	289,656	330,555
Restricted investments	938,442	20,993	43,858	1,003,293	980,848
GNMA securities held as purpose investment	198,590	—	—	198,590	196,284
Restricted receivables:					
Mortgage loans	4,842,509	33,074	—	4,875,583	4,425,014
Accrued interest	46,188	2,623	—	48,811	37,646
Loan participation interests	217,150	—	—	217,150	233,054
Notes	110,469	—	—	110,469	61,376
Total restricted receivables	5,216,316	35,697	—	5,252,013	4,757,090
Other	8,761	—	—	8,761	8,100
Total Receivables	5,225,077	35,697	—	5,260,774	4,765,190
Unamortized issuance costs	35,177	—	—	35,177	32,835
Primary government/component unit receivable (payable)	(3,987)	3,954	33	—	—
Capital assets	1,781	—	—	1,781	2,136
Other assets	11,053	—	—	11,053	21,794
Total Noncurrent Assets	**6,686,818**	**64,207**	**49,299**	**6,800,324**	**6,329,642**
Total Assets	**$ 7,350,832**	**64,219**	**49,324**	**7,464,375**	**6,753,889**

See accompanying notes to the basic financial statements.

BALANCE SHEETS (continued)

At October 31, 2006 (with comparative summarized financial information as of October 31, 2005) (in thousands)

	Discretely Presented Component Units				
	New York City Housing Development Corporation	New York City Housing Assistance Corporation	New York City Residential Mortgage Insurance Corporation	Total 2006	Total 2005
Liabilities and Net Assets					
Current Liabilities:					
Bonds payable (net)	$ 180,809	—	—	180,809	55,352
Accrued interest payable	53,267	—	—	53,267	42,070
Payable to The City of New York	1,599	—	—	1,599	2,403
Payable to mortgagors	59,105	—	—	59,105	55,027
Restricted earnings on investments	2,983	—	—	2,983	2,163
Accounts and other payables	4,451	—	—	4,451	3,528
Deferred fee and mortgage income	3,074	—	—	3,074	1,031
Due to the United States Government	3,862	—	—	3,862	2,675
Total Current Liabilities	**309,150**	**—**	**—**	**309,150**	**164,249**
Noncurrent Liabilities:					
Bonds payable (net)	4,968,605	—	—	4,968,605	4,552,018
Payable to The City of New York	794,137	64,083	—	858,220	919,525
Payable to mortgagors	191,048	143	—	191,191	176,283
Accounts and other payables	1,590	—	—	1,590	—
Deferred fee and mortgage income	101,497	—	—	101,497	91,276
Due to the United States Government	66	—	—	66	679
Total Noncurrent Liabilities	**6,056,943**	**64,226**	**—**	**6,121,169**	**5,739,781**
Total Liabilities	**6,366,093**	**64,226**	**—**	**6,430,319**	**5,904,030**
Net Assets:					
Restricted for bond obligations	417,997	(7)	30,723	448,713	420,095
Unrestricted	566,742	—	18,601	585,343	429,764
Total Net Assets	**984,739**	**(7)**	**49,324**	**1,034,056**	**849,859**
Commitments and Contingencies	—	—	—	—	—
Total Liabilities and Net Assets	**$ 7,350,832**	**64,219**	**49,324**	**7,464,375**	**6,753,889**

See accompanying notes to the basic financial statements.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

Year ended October 31, 2006 (with comparative summarized financial information for the year ended October 31, 2005) (in thousands)

	New York City Housing Development Corporation	Discretely Presented Component Units: New York City Housing Assistance Corporation	Discretely Presented Component Units: New York City Residential Mortgage Insurance Corporation	Total 2006	Total 2005
Operating Revenues					
Interest on loans	$ 189,265	—	—	189,265	148,421
Fees and charges	27,988	—	898	28,886	28,160
Income on loan participation interests	38,370	—	—	38,370	4,162
Other	246	—	—	246	172
Total Operating Revenues	**255,869**	**—**	**898**	**256,767**	**180,915**
Operating Expenses					
Interest and amortization of bond premium and discount	217,843	—	—	217,843	144,171
Salaries and related expenses	14,557	—	—	14,557	11,958
Trustees' and other fees	2,596	—	25	2,621	1,747
Amortization of debt issuance costs	7,092	—	—	7,092	7,293
Corporate operating expenses	4,870	—	—	4,870	5,851
Total Operating Expenses	**246,958**	**—**	**25**	**246,983**	**171,020**
Operating Income (Loss)	**8,911**	**—**	**873**	**9,784**	**9,895**
Non-operating Revenues (Expenses)					
Earnings on investments	64,287	(1,275)	1,617	64,629	43,389
Gain (Loss) on early retirement of debt, net	(1,457)	—	—	(1,457)	—
Non-operating revenues (expenses), net	13,087	—	—	13,087	(7,538)
Operating transfers to HDC Corporate Services Fund	—	—	(150)	(150)	—
Operating transfers from REMIC Subsidiary	150	—	—	150	—
Total Non-operating Revenues (Expenses)	**76,067**	**(1,275)**	**1,467**	**76,259**	**35,851**
Income (Loss) before Special Item	**84,978**	**(1,275)**	**2,340**	**86,043**	**45,746**
Loan participation agreement resecuritization proceeds	98,154	—	—	98,154	—
Change in Net Assets	**183,132**	**(1,275)**	**2,340**	**184,197**	**45,746**
Total net assets - beginning of year	801,607	1,268	46,984	849,859	804,113
Total Net Assets - End of Year	**$ 984,739**	**(7)**	**49,324**	**1,034,056**	**849,859**

See accompanying notes to the basic financial statements.

NEW YORK CITY HOUSING DEVELOPMENT CORPORATION
STATEMENT OF CASH FLOWS

Year ended October 31, 2006 and 2005 (in thousands)

	2006	2005
Cash Flows From Operating Activities		
Mortgage loan repayments	$ 492,883	626,596
Receipts from fees and charges	10,243	10,222
Mortgage escrow receipts	49,445	53,273
Reserve for replacement receipts	32,651	50,485
Mortgage loan advances	(773,297)	(969,460)
Escrow disbursements	(52,473)	(59,177)
Reserve for replacement disbursements	(40,487)	(38,280)
Payments to employees	(12,795)	(11,896)
Payments to suppliers for corporate operating expenses	(4,604)	(4,242)
Project contributions and funds received from NYC	169,351	127,993
Advances and other payments for NYC	(160,022)	(143,318)
Bond cost of issuance	(2,787)	(5,705)
Other receipts (payments)	(6,682)	(21,074)
Net Cash Provided by (Used in) Operating Activities	**(298,574)**	**(384,583)**
Cash Flows From Non Capital Financing Activities		
Proceeds from sale of bonds	1,564,310	1,413,103
Retirement of bonds	(1,020,043)	(613,608)
Interest paid	(197,746)	(129,053)
Net cash transfers between programs	4,650	(801)
Net Cash Provided by (Used in) Non Capital Financing Activities	**351,171**	**669,641**
Cash Flows From Capital and Related Financing Activities		
Purchase of capital assets	(41)	(282)
Net Cash (Used in) Capital and Related Financing Activities	**(41)**	**(282)**
Cash Flows From Investing Activities		
Sale of investments	26,547,560	22,192,882
Purchase of investments	(26,733,910)	(22,397,894)
Interest and dividend collected	70,557	43,993
Net Cash Provided by (Used in) Investing Activities	**(115,793)**	**(161,019)**
Increase (decrease) in cash and cash equivalents	(63,237)	123,757
Cash and cash equivalents at beginning of year	568,004	444,247
Cash and cash equivalents at End of Year	**$ 504,767**	**568,004**

See accompanying notes to the basic financial statements.

NEW YORK CITY HOUSING DEVELOPMENT CORPORATION
STATEMENT OF CASH FLOWS (continued)

Year ended October 31, 2006 and 2005 (in thousands)

		2006	2005
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:			
Operating Income (Loss)	**$**	**8,911**	**9,118**
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:			
Depreciation expenses		395	1,518
Amortization of bond discount and premium		(1,421)	(521)
Amortization of deferred bond refunding costs		3,092	4,106
Amortization of bond issuance costs		4,000	2,654
Net cash provided by nonoperating activities		197,746	129,053
Changes in Assets & Liabilities:			
Mortgage loans		(569,551)	(980,652)
Accrued interest receivable		(13,509)	(39,488)
Other receivables		(31,510)	(241,607)
Bond issuance costs		(8,773)	(13,062)
Primary government/component unit receivable (payable)		34,208	251,766
Other assets		17,104	2,061
Payable to The City of New York		49,397	476,085
Payable to mortgagors		(10,165)	(14,126)
Accounts and other payables		2,564	428
Due to the United States Government		865	(196)
Restricted earnings on investments		(2,604)	(1,575)
Deferred fee and mortgage income		9,480	16,124
Accrued interest payable		11,197	13,731
Net Cash Provided by (Used in) Operating Activities	**$**	**(298,574)**	**(384,583)**
Non Cash Investing Activities:			
Increase (decrease) in fair value of investments	$	1,373	(888)

See accompanying notes to the basic financial statements.

NOTES TO THE FINANCIAL STATEMENTS

October 31, 2006

Note 1: Organization

The New York City Housing Development Corporation (the "Corporation" or "HDC") is a corporate governmental agency constituting a public benefit corporation organized and existing under the laws of the State of New York (the "State"). The Corporation is also a tax exempt organization under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, (the "Code"). The Corporation was established in 1971 under the provisions of Article XII of the Private Housing Finance Law (the "Act") of the State and is to continue in existence for at least as long as bonds, notes or other obligations of the Corporation are outstanding.

The Corporation was created to encourage the investment of private capital through low-interest mortgage loans in order to increase the supply of safe and sanitary dwelling accommodations for families and persons whose need for housing accommodations cannot be provided by unassisted private enterprise. To accomplish its objectives, the Corporation is empowered to finance housing through new construction or rehabilitation and to provide permanent financing for multi-family residential housing. The Corporation participates in the federal government's housing assistance programs, principally those established by Section 236 of the National Housing Act of 1934 (the "National Housing Act"), as amended, and Section 8 of the United States Housing Act of 1937, as amended. The Corporation finances significant amounts of its activities through the issuance of bonds and notes. The bonds and notes of the Corporation are not debts of either the State or The City of New York (the "City").

Pursuant to Governmental Accounting Standards Board Statement ("GASB") No. 14, "The Financial Reporting Entity," the Corporation's financial statements are included in the City's financial statements as a component unit for financial reporting purposes.

Primary Reporting Entity

For the purpose of these financial statements, the Corporation is the primary government entity. Financial activity in HDC's bond and loan programs and in its Corporate Services Fund are aggregated and reported in the financial statements under Housing Development Corporation. The Corporation sells bonds, administers bond proceeds and manages bond revenues and repayments in accordance with bond resolutions adopted by its Members (see Note 9: "Bonds Payable"). Bond proceeds are used to make loans and provide for related costs and reserves, and loan repayments are applied to pay principal and interest on the related bonds (see Note 4: "Mortgage Loans"; Note 5: "Notes Receivable"; and Note 6: "Loan Participation Interests Receivable"). Corporation resources that are not pledged under or governed by a bond resolution are managed in the Corporate Services Fund. This fund accounts for (1) fees and earnings transferred from the bond and loan programs; (2) Section 8 administrative fees; (3) fees earned on loans serviced for HDC and for the City; (4) income from Corporate Services Fund investments; (5) payment of the Corporation's operating expenses; and (6) loan assets made with corporate funds.

The Corporation currently has two active subsidiaries that are reported as Discretely Presented Component Units in the financial statements, and two inactive subsidiaries.

The Housing Assistance Corporation ("HAC"), the Housing New York Corporation ("HNYC"), the New York City Residential Mortgage Insurance Corporation ("REMIC") and Real Estate Owned Corporation ("REO") comprised the reporting entity. HAC and REMIC, the active subsidiaries, have been included in the Corporation's financial statements as discretely presented component units of HDC.

Discretely Presented Component Units

(A) Housing Assistance Corporation

The Housing Assistance Corporation is a public benefit corporation established pursuant to Section 654-b of the Act as a subsidiary of the Corporation.

HAC is empowered to receive monies from any source, including, but not limited to, the Corporation, the City or the State, for the purpose of assisting rental developments to maintain rentals affordable to low and moderate-income persons for whom the ordinary operation of private enterprise cannot supply safe, sanitary and affordable housing accommodations. In order to accomplish this objective, HAC may transfer, lend, pledge or assign these monies to any rental development or assist the Corporation in financing such developments. As a subsidiary of HDC, HAC's functions are administered by the Corporation and its Members substantially overlap with HDC's Members, so it is reported as a discretely presented component unit in HDC's financial statements.

(B) New York City Residential Mortgage Insurance Corporation

The New York City Residential Mortgage Insurance Corporation is a public benefit corporation established pursuant to Section 654-d of the Act as a subsidiary of HDC. REMIC is the successor entity to the New York City Rehabilitation Mortgage Insurance Corporation ("Old REMIC"), which was dissolved on January 27, 1993. REMIC has the authority to insure residential mortgage loans throughout the City in order to promote the preservation of neighborhoods which are blighted, are becoming blighted or may become blighted, to discourage divestment and encourage the investment of mortgage capital in such neighborhoods and to provide safe, sanitary and affordable housing accommodations to persons and families for whom the ordinary operations of private enterprise cannot supply such accommodations.

REMIC is required to maintain three reserves. The Housing Insurance Fund can be used as a revolving fund solely for the payment of liabilities arising from housing insurance contracts issued by REMIC. The Housing Insurance Fund requirement as of any particular date is established by statute and must be in an amount equal to the aggregate of (i) one hundred percent of the insured amounts due and payable pursuant to housing insurance contracts, plus (ii) twenty percent of the insured amounts under housing insurance contracts other than insured amounts which are due and payable pursuant to (i) above, plus (iii) twenty percent of the amounts to be insured under REMIC's commitments to insure. The Housing Insurance Fund requirement at October 31, 2006 is $29,627,000.

REMIC must also maintain a Mortgage Insurance Fund which shall be used solely for the payment of liabilities arising from mortgage insurance contracts of the Old REMIC. The Mortgage Insurance Fund requirement at October 31, 2006 is $1,230,000, which constitutes one hundred percent of Old REMIC's insured mortgage loans.

Any income or interest earned on these two reserves in excess of their respective requirements is transferred at least annually to the Premium Reserve Fund. The Premium Reserve Fund must also be maintained to provide for the payment of REMIC's liabilities arising from its operations, including liabilities arising from housing and mortgage insurance contracts. REMIC also maintains an Operating Fund for operation purposes. As a subsidiary of HDC, REMIC functions are administered by the Corporation. Hence, there are no additional operating expenses other than administrative fees to HDC. The Premium Reserve Fund and Operating Fund have a combined balance of $14,533,000 at October 31, 2006. REMIC's Members substantially overlap with HDC's Members, so it is reported as a discretely presented component unit in HDC's financial statements.

NOTES TO THE FINANCIAL STATEMENTS (continued)

(C) Housing New York Corporation
The Housing New York Corporation is a public benefit corporation established pursuant to Section 654-c of the Act as a subsidiary of the Corporation. Authorization for the funding of the Housing New York Program ended on July 1, 1995. Consequently, HNYC can no longer issue bonds or notes to fund the Housing New York Program.

Upon repayment of all of the outstanding HNYC bonds on November 3, 2003, HNYC became an inactive subsidiary of the Corporation and its remaining funds were transferred out of HNYC. However, HNYC is not expected to be dissolved.

Blended Component Unit

(D) Real Estate Owned Corporation
The NYC HDC Real Estate Owned Corporation ("REO Subsidiary Corporation") was established under Section 654-a of the Act on September 20, 2004. The REO Subsidiary Corporation has the power to hold property whenever, in the sole discretion of the Corporation, it has become necessary to acquire a project in the case of sale under foreclosure or in lieu of foreclosure to effectuate the purposes of the Act. There was no activity by this subsidiary during the last fiscal year and it is treated as a blended component of HDC.

Note 2: Summary of Significant Accounting Policies

The Corporation follows the principles of fund accounting, with a sub-fund for each bond series, for the Corporate Services Fund, and for each component unit. Each fund's assets, liabilities and net assets are accounted for as separate entities and follow enterprise fund reporting. Certain individual funds are aggregated into larger categories for the purpose of financial reporting. The accompanying financial statements are presented using the economic resources measurement focus and the accrual basis of accounting wherein revenues are recognized when earned and expenses when incurred.

In its accounting and financial reporting, the Corporation follows the pronouncements of GASB. In addition, the Corporation follows the pronouncements of all applicable Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements.

Other significant accounting policies are:

A. Revenue and Expense Recognition
The Corporation's operating revenue consists of earnings on loans and loan participation interests, fees and charges associated with both financing and servicing mortgages and loans, and other revenues that are received to cover the costs of raising capital. All other revenue, which is primarily investment income, is considered non-operating. Revenues are recognized when earned; commitment and financing fees are recognized over the life of the related mortgage.

Operating expenses include bonding costs, expenses for administering the various bond resolutions, personnel expenses, corporate operating expenses, amortization of capitalized issuance and financing costs, and depreciation expense. The Corporation reports all other expenses, including distributions of first mortgage earnings to New York City in connection with loan participations and the payment, if necessary, of mortgage loan principal receipts on bond interest payments, as non-operating expense. Expenses are recognized as incurred.

B. Cash Equivalents and Investments
Short-term bank deposits and investments with stated maturities of 90 days or less are reported as Cash and Cash Equivalents and recorded at cost. All investments with maturities longer than 90 days are reported as investments and are carried at fair value, except for investment agreements and for Government National Mortgage Association ("GNMA") securities. The Corporation's GNMA securities are acquired program obligations as defined by U.S. Treasury regulations, and secure housing loans made by the Corporation. GNMAs and investment agreements, which can take the form of open time deposits or fixed repurchase agreements, are reported at an amount equal to principal and accrued interest.

Generally Accepted Accounting Principles ("GAAP") generally requires that restricted assets be reported as non-current assets. In the case of cash equivalents and investments, this treatment generally causes restricted investments with maturities less than one year to be reported as non-current. However, to more accurately report the alignment of HDC's current liability for payment of bond principal and interest with funds available to satisfy these liabilities, HDC has included in Current Assets the cash, cash equivalents and investments held as of October 31, 2006 for payment of bond principal and interest due in the following year.

C. Earnings on Investments
Earnings on investments include interest income and changes in fair value. Investment earnings on monies held for the City, project reserves for replacement and certain other project escrows are not reported as revenues; rather, they are reported as payable to the City or payable to mortgagors, respectively.

D. Debt Issuance Costs, Bond Discount and Other Bond Related Costs
Debt issuance costs and bond discount and premium are amortized over the life of the related bond issues using the effective interest method. Premiums paid in connection with interest rate cap agreements are amortized and reported as interest expense over the life of the respective agreements. Deferred Bond Refunding Costs are amortized to expenses over the shorter of the life of the refunding bonds or the refunded bonds.

E. Operating Transfers
Operating transfers are the reimbursement to the Corporation for REMIC operating expenses.

F. Allowance for Credit Losses
HDC's loans are underwritten according to standards the Corporation believes prudent and are closely monitored for payment and for management of the associated housing development. In addition, many of the Corporation's mortgages have credit enhancements through letters of credit, mortgage insurance and other supports. As such, HDC believes that the likelihood of experiencing material credit losses relating to its bonded mortgage programs is unlikely. Management has determined that current charges against income are not required.

NOTES TO THE FINANCIAL STATEMENTS (continued)

G. Estimates and Assumptions
A number of estimates and assumptions relating to the reporting of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities were used to prepare these financial statements in conformity with accounting principles generally accepted in the United States. Actual results could differ from those estimates.

H. Summarized Financial Information
The financial statements include summarized comparative information for the year ended October 31, 2005 in total but not by reporting unit. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Corporation's financial statements for the year ended October 31, 2005.

I. Reclassifications
Certain fiscal year 2005 balances have been reclassified in order to conform to the current year presentation.

Note 3: Investments and Deposits

The Corporation is authorized to engage in investment activity pursuant to the Act and the Corporation's respective bond resolutions. Investment policies are set for the Corporation by the Members of the Corporation on an annual basis, through the annual adoption of written Investment Guidelines. Investments are reviewed on a periodic basis by the Corporation's Audit Committee. Day-to-day investment decisions are made by the Corporation's Investment Committee, whose members include the Chief Financial Officer, the Deputy Chief Financial Officer, the Controller, and the Vice President for Cash Management. The Corporation principally invests in securities of the United States and its agencies, highly rated commercial paper, open time deposits ("OTDs") in the form of investment agreements, demand accounts, and repurchase agreements and did not enter into any reverse repurchase agreements during the year ended October 31, 2006. According to management, the Corporation is not in violation of any provisions of the foregoing policies.

All securities, other than securities held by the respective trustees for the benefit of the bondholders, are held by the Corporation or its agents in the Corporation's name. Bond program investments are held by the trustee of the applicable program. All investment transactions are recorded on a delivery basis. As of October 31, 2006 and October 31, 2005, the Corporation had the following investments. Investment maturities are shown for October 31, 2006 only.

		Fair Value		Investment Maturities at October 31, 2006 (in Years)			
Investment Type		**2006**	**2005**	**Less than 1**	**1-5**	**6-10**	**More than 10**
(in thousands)							
Open Time Deposits	$	735,643	715,688	60,016	634,405	14,421	26,801
Fixed Repurchase Agreements		283,777	219,570	283,777	—	—	—
GNMA		198,590	196,284	10,351	—	8,047	180,192
FHLB		194,444	97,684	185,342	9,102	—	—
U.S. Treasury		184,138	256,395	180,299	—	—	3,839
FHLMC		117,393	35,286	—	102,447	14,946	—
FNMA		68,089	4,965	—	68,089	—	—
Commercial Paper		60,000	80,000	60,000	—	—	—
Term Repurchase Agreements		35,411	39,336	—	34,221	—	1,190
Demand Accounts		26,136	126,177	26,136	—	—	—
Total	$	1,903,621	1,771,385	805,921	848,264	37,414	212,022

In addition to the investments identified above, as of October 31, 2006 the Corporation held $5,310,000 uninvested as cash in various trust and escrow accounts. As of October 31, 2005, this amounted to $3,120,000.

As part of its financing activities, HDC has made five housing development loans that are secured by GNMA certificates rather than mortgages on the properties. The GNMA certificates provide payments at such times and in such amounts as to fully repay the respective HDC loans, and are the only source of repayment for these loans. As such, the GNMA certificates are treated under U.S. Treasury regulations as acquired program obligations. The GNMA certificates are classified in the financial statements as purpose investments and identified separately from other investments and restricted investments in the financial statements. However, interest earned on the GNMA certificate is included in investment income.

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates, the Corporation's Investment Guidelines charge the Investment Committee with "…determining appropriate investment instruments…based on…length of time funds are available for investment purposes..." among other factors. Thus, maturities are matched to the Corporation's liquidity needs.

Credit Risk: The Corporation's investment guidelines and policies are designed to protect principal by limiting credit risk. This is accomplished through ratings, collateral, and diversification requirements that vary according to the type of investment.

As of October 31, 2006, investments in Federal National Mortgage Association ("FNMA" or "Fannie Mae"), Federal Home Loan Mortgage Corporation ("FHLMC" or "Freddie Mac") and Federal Home Loan Bank ("FHLB") were rated in the highest long-term or short-term ratings category (as applicable) by Standard & Poor's and/or Moody's Investors Service. These ratings were AAA and A-1+ by Standard & Poor's and Aaa and P-1 by Moody's for long-term and short-term investments, respectively. Some investments were not rated by Fitch Ratings. Of the investments that were rated by Fitch Ratings, they carried ratings from AAA to BBB+. Investments in commercial paper were rated in the highest short-term category by at least two major rating agencies (A-1+ by Standard & Poor's, P-1 by Moody's). Demand accounts, OTDs and Repurchase Agreements in the form of OTDs are not rated.

Custodial Credit Risk: For investments, custodial credit risk is the risk that in the event of the failure of the counterparty, the Corporation will not be able to recover the value of its investments or collateral securities that are in the possession of the outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Corporation, and are held by either the counterparty or the counterparty's trust department or agent but not in the name of the Corporation.

The Corporation manages custodial credit risk by limiting its investments to highly rated institutions and/or requiring high quality collateral be held by the counterparty in the name of the Corporation. At October 31, 2006, OTDs in the amount of $478,310,000 and demand accounts in the amount of $3,539,000 were uninsured and uncollateralized. HDC bank deposits which amounted to $8,794,000 are Federal Deposit Insurance Corporation ("FDIC") insured in an amount up to $100,000. Uninsured cash deposits in demand accounts amounted to $8,390,000 at year end. The carrying amount of deposits at October 31, 2006 amounted to $5,310,000.

Concentration of Credit Risk: The Corporation reviews its credit concentration monthly and under current policy limits exposure to any one commercial paper provider to $10 million. HDC does not place a formal limit on the amount that it may invest in any one issuer. At October 31, 2006, 10% percent of the Corporation's investments were in FHLB and this amounted to $194,444,000.

Note 4: Mortgage Loans

The Corporation has outstanding, under various loan programs, mortgage loans of $4,995,116,000 and $4,450,301,000 as of October 31, 2006 and 2005, respectively. These amounts represent the portion of mortgage loans for which the Corporation has advanced monies. The portion of mortgage loans that has not yet been advanced is recorded in investments and this amounted to $719,637,000 and $705,189,000 at October 31, 2006 and October 31, 2005, respectively. (See Note 14: "Commitments").

Changes in Mortgage Loans

The changes in Mortgage Loans are as follows:

Mortgage loans outstanding at October 31, 2004	$	3,651,489,000
Mortgage Advances		1,154,476,000
Principal Collections		(357,568,000)
Discount/Premium Amortized		1,904,000
Mortgage loans outstanding at October 31, 2005		4,450,301,000
Mortgage Advances		839,299,000
Principal Collections		(294,595,000)
Discount/Premium Amortized		111,000
Mortgage loans outstanding at October 31, 2006	$	4,995,116,000

(A) New York City Housing Development Corporation

The HDC mortgage loans listed above were originally repayable over terms of 4 to 50 years and bear interest at rates from 1% to 10.36% per annum. Almost all mortgage loans receivable are collateralized by first or second mortgages on the property of the housing sponsors and contain exculpatory clauses with respect to the liability of the principals of such housing sponsors. The table above does not include loans which are not secured by mortgages, which include a military housing loan and a loan to the New York City Housing Authority ("NYCHA"), each secured by notes (see Note 5: "Notes Receivable") and loans secured by GNMA certificates (see Note 3: "Investments and Deposits"). Of the total HDC mortgages held as of October 31, 2006, 81% are first mortgages and 19% are subordinate loans.

(B) Housing Assistance Corporation

The Housing Assistance Corporation financed construction and capitalized interest costs for eight affordable housing projects during the period of 1986 to 1990. These loans, funded by New York City, accrue interest at the rate of 0-1% per annum, and in most cases the interest is deferred until approximately twenty years after origination. None of the loans are amortizing. All funds received by HAC are applied to its corporate purpose. As of October 31, 2006, there were six loans remaining and the total outstanding loan balances were $33,074,000.

Note 5: Notes Receivable

HDC has made two significant loans that are secured by notes and pledged revenues. Military Housing Notes Receivable of $47,545,000 were received in connection with the 2004 Series A Class I & II Military Housing Revenue Bond (Fort Hamilton LLC Project) issuance. The notes are secured by pledged revenues of the development under a Master Trust Indenture.

In addition, notes receivable from New York City Housing Authority ("NYCHA") in connection with the Corporation's 2005 Series A Capital Fund Program Revenue Bond issuance was $62,924,000 at October 31, 2006. This note is secured under a Master Trust Indenture by NYCHA's pledge of HUD's annual appropriation of public housing capital funds to NYCHA

Note 6: Loan Participation Interests Receivable

The Corporation has acquired interests in two real estate mortgage investment trusts in connection with its housing activities.

First, in each of fiscal years 2002 and 2003, HDC used bond proceeds from its 2002 Series D and 2003 Series D bond issues to purchase a subordinate position 100% participation interest in a portion of the cash flows from a pool of mortgage loans the City had previously securitized in 1996. This pool is known as the Sheridan Trust II and HDC's purchased asset as the Class B Certificate. Upon completion of the 2003 transaction, HDC's participation interest covered all the cash flows of the Sheridan Trust II, subject to the prior lien of the senior interest holder. Because HDC's ownership interest in the asset was subordinate to that of another owner, with no rights to revenues from the asset until the senior holder was retired, the related loan asset was not recorded when purchased. In September 2005, the senior lien interests were satisfied and HDC became the primary beneficiary of the Trust. At that time, therefore, the loan asset was added to HDC's balance sheet and was valued at its principal amount.

At issuance, the 2002 Series D and 2003 Series D bonds were substantially over collateralized by their respective total loan assets. This presented the Corporation with an opportunity to recapitalize the underlying loan portfolio. As a result, in April 2006, the Corporation issued the 2006 Series A bonds to refinance the 2002 Series D and 2003 Series D bonds. At the time, the principal amount of the Sheridan Trust II had a balance of $211,455,000 and was transferred to the 2006 Series A bond program. At October 31, 2006, this principal amount was $207,995,000.

Second, in fiscal year 2005, HDC used bond proceeds to acquire from New York City a 100% participation interest in the cash flows payable to the City as owner of the Class B Certificate of the NYC Mortgage Loan Trust, also created by the City in 1996. Class A Certificates of this trust remain outstanding and HDC's interest is subordinate to scheduled and make-whole payments to the Class A Certificate holders, but it does receive unscheduled revenue from this participation interest. The Class B Certificate does not have a stated principal amount and is valued at its purchase price, as adjusted for the return of capital. At October 31, 2006, this amount was $9,155,000.

In each case, the loan participation interests are pledged to the associated bonds but revert to New York City when such bonds are retired. See Note 11: "Payable to The City of New York".

Note 7: Other Receivables

Other Receivables of $9,889,000 represent unamortized commitment and financing fees, servicing fees receivable, Reserve for Replacement loans and Corporate Services Fund loans not secured by mortgages on the properties, and interest receivable on HPD loans serviced (but not owned) by HDC.

Note 8: Other Non-Current Assets

Other non-current assets totaled $11,053,000 at October 31, 2006, and consisted of (a) various interest rate caps purchased by the Corporation in connection with certain bond issuances; and (b) the value of purchased cash flows related to the 223(f) Program and the 2001 Series B Multi-Family Housing Revenue Bonds.

Three interest rate caps were purchased from the New York City Transitional Finance Authority ("TFA") in connection with the Corporation's issuance of its Multi-Family Housing Revenue Bonds series, the 2002 Series C and 2002 Series D. The caps are carried at the amortized value in the books. On December 2, 2005, by mutual agreement between the Corporation and the TFA, these interest rate caps were cancelled. As a condition of cancellation, TFA delivered, at its expense, three new interest rate caps with substantially the same terms and conditions as the original caps from Goldman Sachs Mitsui Marine Derivative Products. At that time, the combined balances of the interest rate caps had an amortized value of $16,088,000 and a fair value of $7,275,000 and accordingly, the Corporation recorded a fair market value adjustment of $8,813,000.

On April 28, 2006, the Corporation issued the 2006 Series A bonds to refinance both the 2002 Series D and 2003 Series D bonds, and the related interest rate caps on these bonds were transferred to the 2006 Series A bond program. At October 31, 2006, the value of the interest rate caps for 2006 Series A and 2002 Series C were $6,111,000 and $35,000, respectively.

On May 25, 2005, the Corporation purchased two interest rate caps from Goldman Sachs Mitsui Marine Derivative Products in connection with the Corporation's issuance of its Multi-Family Housing Revenue Bonds, 2005 Series A-2 and 2005 Series B bonds. On March 22, 2006, the 2005 Series A-2 bonds were redeemed and the remaining amounts of its interest rate caps were written off. As of October 31, 2006, the value of the interest rate caps for the 2005 Series B was $106,000.

The purchased cash flows are revenue streams consisting of (a) the excess of mortgagors' payments over bond debt service payments, trustee fees and servicing fees to the Corporation and (b) the earnings on certain restricted funds (which earnings are excluded from the Combined Statement of Revenues and Expenses). These cash flows were purchased by the Corporation in fiscal year 1996. The purchase price amounts, representing the discounted value of the future cash flows, were recorded as an asset and have been amortized over the remaining mortgage life. During fiscal year 2006, $494,000 was amortized and is reported as a non-operating expense. The unamortized value of these purchased cash flows is $4,801,000 at October 31, 2006.

Note 9: Bonds Payable

The Corporation's authority to issue bonds and notes for any corporate purpose is limited by the Act to the extent that (i) the aggregate principal amount outstanding may not exceed $6.25 billion, exclusive of refunding bonds or notes, and (ii) the maximum Capital Reserve Fund requirement may not exceed $30 million. No bonds are currently subject to the Capital Reserve Fund requirement. These limits may be changed from time to time through State legislation. During the year ended October 31, 2006, the limit on aggregate principal amount outstanding was raised from $5.65 billion to $6.25 billion.

Bond Programs

The Corporation issues bonds and notes to fund mortgage loans for multi-family residential developments under the bond programs described below. As of October 31, 2006, the Corporation had bonds outstanding in the aggregate principal amount of $5,148,702,000. All of the bonds are separately secured, except for the bonds issued under the General Resolution which are equally and ratably secured by the assets pledged under the General Resolution (see "B. Housing Revenue Bond Program" below). None of the bonds under the bond programs described in "A. Multi-Family Bond Program", "C. Liberty Bond Program", and "D. Section 223(f) Refinancing Bond Program" provide security under the General Resolution, and none of the bonds under these programs is secured by the General Resolution.

A. Multi-Family Bond Program. The Corporation established its Multi-Family Bond Program to develop privately-owned multi-family housing, all or a portion of which is reserved for low income tenants. The following describes the Corporation's activities under its Multi-Family Bond Program.

(1) Rental Projects; Fannie Mae or Freddie Mac Enhanced: The Corporation has issued tax-exempt and/or taxable bonds which either (i) are secured by mortgage loan payments, which payments are secured by obligations of Fannie Mae under various collateral agreements, (ii) are secured by a Direct Pay Credit Enhancement Instrument issued by Fannie Mae or (iii) are secured by a Direct Pay Credit Enhancement Agreement with Freddie Mac.

(2) Rental Projects; Letter of Credit Enhanced: The Corporation has issued tax-exempt and/or taxable bonds to finance a number of mixed income projects and entirely low income projects, which bonds are secured by letters of credit issued by investment-grade rated commercial lending institutions.

(3) Rental Projects; FHA-Insured Mortgage Loan: The Corporation has issued bonds to finance a number of mixed income projects with mortgages insured by the Federal Housing Administration ("FHA").

(4) Hospital Staff Housing; Credit Enhanced: The Corporation has issued bonds to provide financing for residential facilities for hospital staff, which bonds are secured by bond insurance or letters of credit issued by investment-grade rated institutions.

(5) Cooperative Housing; SONYMA-Insured Mortgage Loan: The Corporation has issued tax-exempt obligations in order to fund underlying mortgage loans to cooperative housing developments. Each mortgage loan in this program is insured by the State of New York Mortgage Agency ("SONYMA").

(6) Rental Project; REMIC-Insured Mortgage Loan: The Corporation has issued tax-exempt bonds to finance a mortgage loan for a residential facility, which mortgage loan is insured by REMIC.

(7) Senior Housing; Letter of Credit Enhanced: The Corporation has issued tax exempt obligations to finance a mortgage loan for low income senior housing, which obligations are secured by letters of credit issued by investment-grade rated commercial lending institutions.

(8) Military Housing Revenue Bond Program: The Corporation has issued taxable bonds to fund a loan for the development of housing for military personnel at a federal military base.

(9) Capital Fund Revenue Bond Program; FGIC-Insured Bonds: The Corporation has issued tax-exempt obligations in order to fund a loan to NYCHA to provide funds for modernization and to make improvements to numerous public housing projects owned by NYCHA. Scheduled payment of bond principal and interest is guaranteed by a municipal bond insurance policy issued by Financial Guaranty Insurance Company ("FGIC").

B. Housing Revenue Bond Program. Under its Housing Revenue Bond Program, the Corporation may issue bonds payable solely from and secured by the assets held under its General Resolution, adopted in 1993 and, as amended and supplemented, used for the ongoing issuance of bonds. Assets pledged to bondholders under the General Resolution include a pool of mortgage loans, some of which are construction loans (which pool contains FHA-insured mortgage loans, REMIC-insured mortgage loans, securities, other mortgage loans and participation interests in mortgage loans), the revenues received on account of all such loans and securities; and other assets pledged under such resolution and any supplemental resolution for a particular series of bonds. Certain of the projects, which secure a portion of the mortgage loans, receive the benefits of subsidy payments.

C. Liberty Bond Program. In accordance with Section 301 of the Job Creation and Worker Assistance Act of 2002, as amended, the Corporation has issued tax-exempt and taxable bonds, each secured by a letter of credit, to finance the development of multi-family housing within an area of lower Manhattan designated in such legislation as the "Liberty Zone".

D. Section 223(f) Refinancing Bond Program. Under this program, the Corporation acquired mortgages originally made by the City, obtained Federal insurance thereon and either sold such insured mortgages or issued its obligations secured by said insured mortgages and paid the net proceeds of the sale of such mortgages or issuance of obligations to the City. Each series of bonds issued under this program is secured by a mortgage loan insured by FHA pursuant to Section 223(f) of Title II of the National Housing Act of 1934. Debt service on each series of bonds is paid only from monies received on account of the applicable mortgage loan securing such series, including, with respect to certain projects, interest reduction subsidy payments received by the Corporation pursuant to Section 236 of the National Housing Act. A number of these bonds were retired during the year, and an additional mortgage loan was refinanced in December 2006 for which the related bonds will be retired in February 2007. (see Note 18: "Subsequent Events").

Bonds Payable

Changes in HDC bonds payable for the year ended October 31, 2006 were as follows:

Description of Bonds as Issued	Balance at Oct. 31, 2005	Issued	Retired	Balance at Oct. 31, 2006	Amount Due Within 1 Year
(in thousands) *(variable rates cover fiscal year 2006)*					
MULTI-FAMILY BOND PROGRAM					
Multi-Family Rental Housing Revenue Bonds - Rental Projects; Fannie Mae or Freddie Mac Enhanced					
1997 Series A Related-Carnegie Park Project—2.57% to 3.96% Variable Rate Bonds due upon demand through 2019	$ 66,800	—	—	66,800	—
1997 Series A Related-Monterey Project—2.57% to 3.96% Variable Rate Bonds due upon demand through 2019	104,600	—	—	104,600	—
1997 Series A Related-Tribeca Tower Project—2.62% to 4.01% Variable Rate Bonds due upon demand through 2019	55,000	—	—	55,000	—
1998 Series A Jane Street Development—2.64% to 4.00% Variable Rate Bonds due upon demand through 2028	16,450	—	—	16,450	—
1998 Series A Parkgate Development Project—2.59% to 3.95% Variable Rate Bonds due upon demand through 2028	36,500	—	(36,500)	—	—

Description of Bonds as Issued	Balance at Oct. 31, 2005	Issued	Retired	Balance at Oct. 31, 2006	Amount Due Within 1 Year
(in thousands) *(variable rates cover fiscal year 2006)*					
1998 Series A One Columbus Place Project—2.64% to 4.00% Variable Rate Bonds due upon demand through 2028	$ 142,300	—	—	142,300	—
1999 Series A & B West 43rd Street Project—2.64% to 5.33% Variable Rate Bonds due upon demand through 2029.	52,720	—	(700)	52,020	120
1999 Series A Brittany Development Project—2.64% to 4.02% Variable Rate Bonds due upon demand through 2029	57,000	—	—	57,000	—
2000 Series A Related West 89th Street Development—2.62% to 4.01% Variable Rate Bonds due upon demand through 2029	53,000	—	—	53,000	—
2000 Series A Westmont Apartments—2.57% to 3.93% Variable Rate Bonds due upon demand through 2030	24,200	—	(24,200)	—	—
2001 Series A Queenswood Refunding—2.60% to 3.94% Variable Rate Bonds due upon demand through 2031	10,800	—	—	10,800	—
2001 Series A & 2001 Series B (Federally Taxable) Related Lyric Development—2.64% to 5.33% Variable Rate Bonds due upon demand through 2031	90,000	—	(500)	89,500	500
2002 Series A James Tower Development—2.60% to 3.93% Variable Rate Bonds due upon demand through 2032	21,715	—	(195)	21,520	215
2002 Series A & 2002 Series B (Federally Taxable) The Foundry—2.64% to 5.33% Variable Rate Bonds due upon demand through 2032	57,000	—	(500)	56,500	600
2003 Series A Related-Sierra Development—2.64% to 4.02% Variable Rate Bonds due upon demand through 2033.	56,000	—	—	56,000	—
2004 Series A West End Towers—2.64% to 4.02% Variable Rate Bonds due upon demand through 2034	135,000	—	—	135,000	—
2004 Series A & 2004 Series B (Federally Taxable) Related-Westport Development—2.60% to 5.34% Variable Rate Bonds due upon demand through 2034	124,000	—	—	124,000	—
2005 Series A & 2005 Series B (Federally Taxable) Atlantic Court Apartments—2.85% to 5.34% Variable Rate Bonds due upon demand through 2035	—	104,500	—	104,500	500
2005 Series A & 2005 Series B (Federally Taxable) The Nicole Development—2.88% to 5.33% Variable Rate Bonds due upon demand through 2035	—	65,000	—	65,000	300
2005 Series A & B Progress of People Development—2.97% to 4.00% Variable Rate Bonds due upon demand through 2008 and 3.5% to 4.95% Serial and Term Bonds maturing in varying installments through 2036	—	83,400	—	83,400	735

NOTES TO THE FINANCIAL STATEMENTS (continued)

Description of Bonds as Issued	Balance at Oct. 31, 2005	Issued	Retired	Balance at Oct. 31, 2006	Amount Due Within 1 Year
(in thousands) *(variable rates cover fiscal year 2006)*					
Multi-Family Mortgage Revenue Bonds - Rental Projects; Fannie Mae or Freddie Mac Enhanced					
1995 Series A Columbus Apartments Development—2.57% to 3.96% Variable Rate Bonds maturing in varying installments through 2025	$ 21,870	—	—	21,870	—
2001 Series A West 48th Street—2.64% to 4.00% Variable Rate Bonds due upon demand through 2034	20,000	—	—	20,000	—
2002 Series A First Ave Development—2.98% to 4.00% Variable Rate Bonds due upon demand through 2035	44,000	—	—	44,000	—
2004 Series A State Renaissance Court—2.65% to 4.01% Variable Rate Bonds due upon demand through 2037	35,200	—	—	35,200	—
2005 Series A 89 Murray Street Development—2.98% to 4.00% Variable Rate Bonds due upon demand through 2039	—	49,800	—	49,800	—
Multi-Family Mortgage Revenue Bonds - Rental Projects; Letter of Credit Enhanced					
2002 Series A & 2002 Series B (Federally Taxable) 400 West 55th Street Development—2.83% to 4.33% Variable Rate Bonds due upon demand through 2035	65,000	—	(65,000)	—	—
2003 Series A Atlantic Court Apartments—2.64% to 3.05% Variable Rate Bonds due upon demand through 2036	92,700	—	(92,700)	—	—
2003 Series A (AMT) & 2003 Series B (Federally Taxable) 92nd & First Residential Tower—2.66% to 5.35% Variable Rate Bonds due upon demand through 2036	57,300	—	(500)	56,800	50,000
2003 Series A (AMT) & 2003 Series B (Federally Taxable) Related-Upper East—2.67% to 5.35% Variable Rate Bonds due upon demand through 2036	70,000	—	—	70,000	—
2004 Series A Manhattan Court Development—2.65% to 4.03% Variable Rate Bonds due upon demand through 2036	17,500	—	—	17,500	—
2004 Series A East 165th Street Development—2.65% to 4.02% Variable Rate Bonds due upon demand through 2036	13,800	—	(6,135)	7,665	—
2004 Series A Aldus Street Apartments—2.66% to 4.02% Variable Rate Bonds due upon demand through 2037	14,200	—	—	14,200	—
2004 Series A 941 Hoe Avenue Apartments—2.66% to 4.02% Variable Rate Bonds due upon demand through 2037	11,900	—	—	11,900	—
2004 Series A Peter Cintron Apartments—2.66% to 4.02% Variable Rate Bonds due upon demand through 2037	14,400	—	—	14,400	—
2004 Series A Parkview Apartments—2.67% to 4.00% Variable Rate Bonds due upon demand through 2036	12,605	—	—	12,605	—

NOTES TO THE FINANCIAL STATEMENTS (continued)

Description of Bonds as Issued	Balance at Oct. 31, 2005	Issued	Retired	Balance at Oct. 31, 2006	Amount Due Within 1 Year
(in thousands) *(variable rates cover fiscal year 2006)*					
2004 Series A Louis Nine Boulevard Apartments—2.67% to 4.00% Variable Rate Bonds due upon demand through 2037	$ 9,500	—	—	9,500	—
2004 Series A Courtlandt Avenue Apartments—2.67% to 4.00% Variable Rate Bonds due upon demand through 2037	15,000	—	—	15,000	—
2004 Series A Ogden Avenue Apartments—2.66% to 4.02% Variable Rate Bonds due upon demand through 2037	10,500	—	—	10,500	—
2004 Series A Nagle Courtyard Apartments—2.66% to 4.02% Variable Rate Bonds due upon demand through 2037	9,000	—	—	9,000	—
2004 Series A Thessalonica Court Apartments—2.62% to 3.99% Variable Rate Bonds due upon demand through 2036	19,500	—	—	19,500	—
2004 Series A Brookhaven Apartments—2.62% to 3.99% Variable Rate Bonds due upon demand through 2036	9,100	—	—	9,100	—
2004 Series A Marseilles Apartments—2.57% to 3.91% Variable Rate Bonds due upon demand through 2034	13,525	—	(200)	13,325	200
2004 Series A West 61st Street Apartments—2.67% to 4.00% Variable Rate Bonds due upon demand through 2038	54,000	—	—	54,000	—
2005 Series A Morris Avenue Apartments—2.65% to 4.02% Variable Rate Bonds due upon demand through 2038	22,700	—	—	22,700	—
2005 Series A Vyse Avenue Apartments—2.65% to 4.02% Variable Rate Bonds due upon demand through 2038	9,650	—	—	9,650	—
2005 Series A 33 West Tremont Avenue Apartments—2.65% to 4.02% Variable Rate Bonds due upon demand through 2038	8,450	—	—	8,450	—
2005 Series A (AMT) & 2005 Series B (Federally Taxable) 155 West 21st Street Apartments—2.67% to 5.39% Variable Rate Bonds due upon demand through 2038	42,700	—	—	42,700	—
2005 Series A 2007 LaFontaine Avenue Apartments—1.91% to 4.03% Variable Rate Bonds due upon demand through 2037	8,500	—	—	8,500	—
2005 Series A La Casa del Sol Apartments—2.62% to 3.99% Variable Rate Bonds due upon demand through 2037	12,800	—	—	12,800	—
2005 Series A 15 East Clarke Place Apartments—2.67% to 4.00% Variable Rate Bonds due upon demand through 2037	11,600	—	—	11,600	—
2005 Series A Ogden Avenue Apartments II—2.64% to 4.00% Variable Rate Bonds due upon demand through 2038	5,300	—	—	5,300	—
2005 Series A White Plains Courtyard Apartments—2.64% to 4.00% Variable Rate Bonds due upon demand through 2038	9,900	—	—	9,900	—

NOTES TO THE FINANCIAL STATEMENTS (continued)

Description of Bonds as Issued *(in thousands)* *(variable rates cover fiscal year 2006)*	Balance at Oct. 31, 2005	Issued	Retired	Balance at Oct. 31, 2006	Amount Due Within 1 Year
2005 Series A Highbridge Apartments—2.65% to 4.02% Variable Rate Bonds due upon demand through 2039	$ 32,500	—	—	32,500	—
2005 Series A Urban Horizons II Development—2.81% to 3.99% Variable Rate Bonds due upon demand through 2038	—	19,600	—	19,600	—
2005 Series A The Schermerhorn Development—2.81% to 4.03% Variable Rate Bonds due upon demand through 2038	—	30,000	—	30,000	—
2005 Series A 1090 Franklin Avenue Apartments—2.98% to 4.00% Variable Rate Bonds due upon demand through 2037	—	6,200	—	6,200	—
2005 Series A Parkview II Apartments—3.01% to 4.00% Variable Rate Bonds due upon demand through 2037	—	10,900	—	10,900	—
2005 Series A Grace Towers Development—2.92% to 3.99% Variable Rate Bonds due upon demand through 2037	—	11,300	—	11,300	—
2005 Series A 270 East Burnside Avenue Apartments—2.96% to 4.00% Variable Rate Bonds due upon demand through 2039	—	13,000	—	13,000	—
2006 Series A Reverend Ruben Diaz Gardens Apartments—3.30% to 4.02% Variable Rate Bonds due upon demand through 2038	—	13,300	—	13,300	—
2006 Series A Villa Avenue Apartments—3.30% to 4.02% Variable Rate Bonds due upon demand through 2039	—	13,700	—	13,700	—
2006 Series A Granville Payne Apartments—3.27% to 4.02% Variable Rate Bonds due upon demand through 2039	—	12,250	—	12,250	—
2006 Series A Target V Apartments—3.36% to 3.75% Variable Rate Bonds due upon demand through 2038	—	7,200	—	7,200	—
2006 Series A Beacon Mews Development—3.40% to 3.60% Variable Rate Bonds due upon demand through 2039	—	23,500	—	23,500	—
Multi-Family Rental Housing Revenue Bonds - Rental Projects; Letter of Credit Enhanced					
2002 Series A (Federally Taxable) Chelsea Centro—3.95% to 5.36% Variable Rate Bonds due upon demand through 2033	82,800	—	(1,400)	81,400	1,400
Residential Revenue Bonds - Hospital Staff Housing; Letter of Credit Enhanced					
1993 Series A East 17th Street Properties—2.36% to 3.98% Variable Rate Bonds maturing in varying installments through 2023	30,000	—	(1,000)	29,000	29,000

NOTES TO THE FINANCIAL STATEMENTS (continued)

Description of Bonds as Issued *(in thousands)* *(variable rates cover fiscal year 2006)*	Balance at Oct. 31, 2005	Issued	Retired	Balance at Oct. 31, 2006	Amount Due Within 1 Year
1993 Series A Montefiore Medical Center—2.57% to 3.96% Variable Rate Term Bonds maturing in varying installments through 2030	$ 8,100	—	(100)	8,000	200
2003 Series A The Animal Medical Center—4.25% to 5.50% Serial and Term Bonds maturing in varying installments through 2033	10,140	—	—	10,140	—
2005 Series A & 2005 Series B (Federally Taxable) Royal Charter Properties—2.55% to 5.30% Serial and Term Bonds maturing in varying installments through 2035	98,275	—	(1,400)	96,875	1,400
Mortgage Revenue Bonds - Cooperative Housing; SONYMA-Insured Mortgage Loan					
1994 Series A Maple Court Cooperative—6.22% Term Bonds maturing in varying installments through 2027	10,960	—	(225)	10,735	240
1996 Series A Maple Plaza Cooperative—6.08% Term Bonds maturing in varying installments through 2029	15,480	—	(285)	15,195	295
Multi-Family Mortgage Revenue Bonds - Rental Project; REMIC-Insured Mortgage Loan					
1996 Series A Barclay Avenue Development—5.75% to 6.60% Term Bonds maturing in varying installments through 2033	5,205	—	(70)	5,135	75
Multi-Family Mortgage Revenue Bonds - Senior Housing; Letter of Credit Enhanced					
2000 Series A 55 Pierrepont Development—2.65% to 4.00% Variable Rate Bonds due upon demand through 2031	5,300	—	(600)	4,700	100
Sub-Total Multi-Family Bond Program	**$ 2,164,045**	**463,650**	**(232,210)**	**2,395,485**	**85,880**
MILITARY HOUSING REVENUE BOND PROGRAM					
2004 Series A Class I & II Fort Hamilton Housing LLC Project—5.60% to 6.72% Term Bonds maturing in varying installments through 2049	47,545	—	—	47,545	—
Total Multi-Family Bond Program	**$ 2,211,590**	**463,650**	**(232,210)**	**2,443,030**	**85,880**
HOUSING REVENUE BOND PROGRAM					
Multi-Family Housing Revenue Bonds					
1995 Series A Multi-Family Housing Revenue Bond Program—3.50% to 5.60% Serial Bonds maturing in varying installments through 2007	545	—	(280)	265	240
1996 Series A Multi-Family Housing Revenue Bond Program—3.60% to 5.625% Serial and Term Bonds maturing in varying installments through 2012	13,370	—	(1,615)	11,755	1,710
1997 Series C (Federally Taxable) Multi-Family Housing Revenue Bond Program—6.73% Term Bonds maturing in varying installments through 2011	17,735	—	(2,485)	15,250	2,660

NOTES TO THE FINANCIAL STATEMENTS (continued)

Description of Bonds as Issued	Balance at Oct. 31, 2005	Issued	Retired	Balance at Oct. 31, 2006	Amount Due Within 1 Year
(in thousands) *(variable rates cover fiscal year 2006)*					
1998 Series A (Federally Taxable) Multi-Family Housing Revenue Bond Program—6.84% Term Bonds maturing in varying installments through 2030	$ 54,300	—	(1,000)	53,300	1,000
1998 Series B Multi-Family Housing Revenue Bond Program—3.75% to 5.25% Serial and Term Bonds maturing in varying installments through 2031	20,215	—	(365)	19,850	375
1999 Series A-1 & A-2 (Federally Taxable) Multi-Family Housing Revenue Bond Program—5.83% to 6.06% Term Bonds maturing in varying installments through 2022 and 2.369% to 3.89% Variable Rate Bonds due upon demand through 2037	53,600	—	(20,300)	33,300	3,000
1999 Series B-1 & B-2 (Federally Taxable) Multi-Family Housing Revenue Bond Program—6.83% to 7.32% Term Bonds maturing in varying installments through 2022 and 4.459% Variable Rate Bonds due upon demand through 2031	37,000	—	(11,000)	26,000	1,000
1999 Series C Multi-Family Housing Revenue Bond Program—4.40% to 5.70% Serial and Term Bonds maturing in varying installments through 2031	3,410	—	(90)	3,320	95
1999 Series D Multi-Family Housing Revenue Bond Program—3.75% to 5.50% Serial and Term Bonds maturing in varying installments through 2019	6,775	—	(305)	6,470	6,470
1999 Series E Multi-Family Housing Revenue Bond Program—4.40% to 6.25% Serial and Term Bonds maturing in varying installments through 2036.	9,825	—	(105)	9,720	110
2000 Series A Multi-Family Housing Revenue Bond Program—7.79% Term Bonds maturing in varying installments through 2032	24,200	—	(300)	23,900	300
2001 Series A Multi-Family Housing Revenue Bond Program—3.70% to 5.60% Serial and Term Bonds maturing in varying installments through 2042	29,655	—	(245)	29,410	255
2001 Series B Multi-Family Housing Revenue Bond Program—3.05% to 5.25% Serial Bonds maturing in varying installments through 2016	4,930	—	(4,930)	—	—
2001 Series C-2 Multi-Family Housing Revenue Bond Program—2.85% to 5.40% Serial and Term Bonds maturing in varying installments through 2033	17,240	—	(275)	16,965	290
2002 Series A (AMT) Multi-Family Housing Revenue Bond Program—2.20% to 5.50% Serial and Term Bonds maturing in varying installments through 2034	35,305	—	(560)	34,745	570
2002 Series B (AMT) Multi-Family Housing Revenue Bond Program—2.20% to 5.50% Serial and Term Bonds maturing in varying installments through 2032	6,915	—	(125)	6,790	125
2002 Series C (Federally Taxable) Multi-Family Housing Revenue Bond Program—4.459% to 5.694% Variable Rate Term Bonds maturing in varying installments through 2034	48,815	—	(500)	48,315	545
2002 Series D (Federally Taxable) Multi-Family Housing Revenue Bond Program—4.459% to 4.914% Variable Rate Term Bonds maturing in varying installments through 2032	221,400	—	(221,400)	—	—

NOTES TO THE FINANCIAL STATEMENTS (continued)

Description of Bonds as Issued	Balance at Oct. 31, 2005	Issued	Retired	Balance at Oct. 31, 2006	Amount Due Within 1 Year
(in thousands) *(variable rates cover fiscal year 2006)*					
2002 E-2 (AMT) Multi-Family Housing Revenue Bond Program—2% to 5.20% Serial and Term Bonds maturing in varying installments through 2034	$ 18,990	—	(315)	18,675	325
2002 Series F (AMT) Multi-Family Housing Revenue Bond Program—2% to 5.20% Serial and Term Bonds maturing in varying installments through 2032	4,520	—	(85)	4,435	85
2003 Series A (Auction Rate) Multi-Family Housing Revenue Bond Program—2.85% to 3.65% Variable Rate Term Bonds maturing in varying installments through 2025	34,845	—	(14,750)	20,095	625
2003 Series B-1 & B-2 (AMT) Multi-Family Housing Revenue Bond Program—2% to 4.6% Serial and Term Bonds maturing in varying installments through 2036	33,025	—	(340)	32,685	3,600
2003 Series C (Non-AMT) Multi-Family Housing Revenue Bond Program—1.10% to 4% Serial and Term Bonds maturing in varying installments through 2016	4,335	—	(4,335)	—	—
2003 Series D (Federally Taxable) Multi-Family Housing Revenue Bond Program—4.459% to 4.914% Variable Rate Term Bonds maturing in varying installments through 2033	42,500	—	(42,500)	—	—
2003 Series E-1 & E-2 (AMT) Multi-Family Housing Revenue Bond Program—2.25% to 5.05% Serial and Term Bonds maturing in varying installments through 2036	45,530	—	(16,840)	28,690	200
2004 Series A Multi-Family Housing Revenue Bond Program—1.85% to 5.25% Serial and Term Bonds maturing in varying installments through 2030	145,620	—	(3,130)	142,490	3,220
2004 Series B-1 & B-2 (AMT) Multi-Family Housing Revenue Bond Program—2% to 5.30% Serial and Term Bonds maturing in varying installments through 2036	43,320	—	(7,375)	35,945	13,590
2004 Series C-1 & C-2 (Federally Taxable) Multi-Family Housing Revenue Bond Program—3.90% to 6.34% Serial and Term Bonds maturing in varying installments through 2036	62,320	—	(14,410)	47,910	20
2004 Series D (Federally Taxable) Multi-Family Housing Revenue Bond Program—5.55% Term Bonds maturing in 2020	18,000	—	(18,000)	—	—
2004 Series E-1 (Non-AMT) Multi-Family Housing Revenue Bond Program—4.95% Term Bonds maturing in 2033	39,595	—	—	39,595	—
2004 Series E-2 (Federally Taxable) Multi-Family Housing Revenue Bond Program—5.75% Term Bonds maturing in 2024	28,700	—	(19,720)	8,980	—
2004 Series F (Federally Taxable) Multi-Family Housing Revenue Bond Program—3.68% to 5.70% Serial and Term Bonds maturing in varying installments through 2035	33,970	—	—	33,970	910
2004 Series G (Federally Taxable) Multi-Family Housing Revenue Bond Program—5.63% Term Bonds maturing in 2029	10,610	—	(50)	10,560	55
2004 Series H (AMT) Multi-Family Housing Revenue Bond Program—2.70% to 5.25% Serial and Term Bonds maturing in varying installments through 2046	9,395	—	(35)	9,360	85

NOTES TO THE FINANCIAL STATEMENTS (continued)

Description of Bonds as Issued	Balance at Oct. 31, 2005	Issued	Retired	Balance at Oct. 31, 2006	Amount Due Within 1 Year
(in thousands) *(variable rates cover fiscal year 2006)*					
2004 Series I-1 & I-2 (AMT) Multi-Family Housing Revenue Bond Program—2.50% to 5.20% Serial and Term Bonds maturing in varying installments through 2038	$ 26,645	—	(205)	26,440	210
2004 Series J (Federally Taxable) Multi-Family Housing Revenue Bond Program—2.95% to 5.70% Serial and Term Bonds maturing in varying installments through 2038	27,660	—	(765)	26,895	970
2005 Series A-1 (Non-AMT) Multi-Family Housing Revenue Bond Program—4.50% to 4.60% Term Bonds maturing in 2027 and 2035, respectively	9,735	—	—	9,735	—
2005 Series A-2 (Federally Taxable) (Auction Rate) Multi-Family Housing Revenue Bond Program—3.78% to 4.50% Variable Rate Bonds due upon demand through 2034	6,150	—	(6,150)	—	—
2005 Series B (Federally Taxable) (Auction Rate) Multi-Family Housing Revenue Bond Program—3.78% to 5.259% Variable Rate Bonds due upon demand through 2037	51,250	—	(2,425)	48,825	300
2005 Series C & D (AMT) Multi-Family Housing Revenue Bond Program—3.10% to 4.80% Serial and Term Bonds maturing in varying installments through 2047	30,160	—	—	30,160	—
2005 Series E (AMT) Multi-Family Housing Revenue Bond Program—2.90% to 4.75% Serial and Term Bonds maturing in varying installments through 2035	3,900	—	—	3,900	130
2005 Series F-1 (Non-AMT) Multi-Family Housing Revenue Bond Program—4.65% to 4.75% Term Bonds maturing in 2025 and 2035, respectively	65,410	—	—	65,410	—
2005 Series F-2 (Federally Taxable) Multi-Family Housing Revenue Bond Program—4.66% to 5.43% Term Bonds maturing in 2010 and 2017, respectively	80,935	—	(2,205)	78,730	5,290
2005 Series G (Non-AMT) Multi-Family Housing Revenue Bond Program—3.35% to 4.35% Serial and Term Bonds maturing in varying installments through 2018	—	4,840	—	4,840	220
2005 Series H (AMT) (Auction Rate) Multi-Family Housing Revenue Bond Program—3.10% to 3.80% Variable Rate Term Bonds maturing in 2040	—	30,100	—	30,100	—
2005 Series I (Federally Taxable) (Auction Rate) Multi-Family Housing Revenue Bond Program—4.25% to 5.336% Variable Rate Term Bonds maturing in 2036	—	3,445	—	3,445	50
2005 Series J-1 (Non-AMT) & J-2 (Federally Taxable) (Auction Rate) Multi-Family Housing Revenue Bond Program—4.289% to 4.50% Variable Rate Term Bonds and 4.65% to 4.85% Term Bonds maturing in 2016 and 2036, respectively	—	39,135	(18,640)	20,495	—
2005 Series K (AMT) Multi-Family Housing Revenue Bond Program—3.60% to 5.00% Serial and Term Bonds maturing in varying installments through 2037	—	12,730	—	12,730	—
2005 Series L (AMT) Multi-Family Housing Revenue Bond Program—3.85% to 5.05% Serial and Term Bonds maturing in varying installments through 2039	—	37,145	—	37,145	—

NOTES TO THE FINANCIAL STATEMENTS (continued)

Description of Bonds as Issued	Balance at Oct. 31, 2005	Issued	Retired	Balance at Oct. 31, 2006	Amount Due Within 1 Year
(in thousands) *(variable rates cover fiscal year 2006)*					
2006 Series A (Federally Taxable) Multi-Family Housing Revenue Bond Program—6.42% Term Bonds maturing in 2027 and 4.80% to 5.35% Variable Rate Term Bonds maturing in 2034	—	306,100	—	306,100	32,575
2006 Series C (AMT) Multi-Family Housing Revenue Bond Program—4.15% to 5.125% Serial and Term Bonds maturing in varying installments through 2040	—	81,635	—	81,635	—
2006 Series D-1 (Non-AMT) & 2006 Series D-2 (Federally Taxable) (Auction Rate) Multi-Family Housing Revenue Bond Program—5.20% to 5.35% Periodic Auction Rate Term Bonds and 4.95% Term Bonds maturing in 2026 and 2036, respectively	—	10,005	—	10,005	175
2006 Series E (Federally Taxable) (Auction Rate) Multi-Family Housing Revenue Bonds Program— 5.215% to 5.35% Periodic Auction Rate Term Bonds maturing in 2036	—	27,685	—	27,685	—
2006 Series F (Federally Taxable) (Auction Rate) Multi-Family Housing Revenue Bonds Program—4.86% to 5.35% Periodic Auction Rate Term Bonds maturing in 2040	—	2,655	—	2,655	—
Multi-Family Secured Mortgage Revenue Bonds					
2005 Series A-1 Multi-Family Housing Revenue Bonds Program—5.65% Term Bonds due upon demand through 2031	—	6,185	(20)	6,165	40
Total Housing Revenue Bond Program	**$ 1,482,355**	**561,660**	**(438,175)**	**1,605,840**	**81,420**
LIBERTY BOND PROGRAM					
Multi-Family Mortgage Revenue Bonds					
2003 Series A & B (Federally Taxable) 2 Gold Street—2.65% to 4.85% Variable Rate Bonds due upon demand through 2037	178,500	—	(178,500)	—	—
2004 Series A & B (Federally Taxable) 90 West Street—2.65% to 4.57% Variable Rate Bonds due upon demand through 2036	106,500	—	(106,500)	—	—
2005 Series A 90 Washington Street—2.35% to 3.65% Variable Rate Bonds due upon demand through 2035	74,800	—	—	74,800	—
2005 Series A & B (Federally Taxable) The Crest—2.59% to 5.33% Variable Rate Bonds due upon demand through 2036	143,800	—	—	143,800	—
2006 Series A & B (Federally Taxable) 90 West Street—3.00% to 5.36% Variable Rate Bonds due upon demand through 2036	—	112,000	—	112,000	—
2006 Series A & B (Federally Taxable) 2 Gold Street—3.10% to 5.24% Variable Rate Bonds due upon demand through 2036	—	217,000	(300)	216,700	800
2006 Series A & B (Federally Taxable) 20 Exchange Place—3.37% to 5.43% Variable Rate Bonds due upon demand through 2039	—	210,000	—	210,000	—
Total Liberty Bond Program	**$ 503,600**	**539,000**	**(285,300)**	**757,300**	**800**

Description of Bonds as Issued		Balance at Oct. 31, 2005	Issued	Retired	Balance at Oct. 31, 2006	Amount Due Within 1 Year
(in thousands) *(variable rates cover fiscal year 2006)*						
SECTION 223(F) REFINANCING BOND PROGRAM						
Multi-Family Housing Bond Program— 6.50% to 7.25% Bonds maturing in varying installments through 2019	$	125,281	—	(57,544)	67,737	3,754
Total Section 223(f) Refinancing Bond Program	**$**	**125,281**	**—**	**(57,544)**	**67,737**	**3,754**
CAPITAL FUND PROGRAM REVENUE BOND						
2005 Series A Capital Fund Program— 3.00% to 5.00% Serial and Term Bonds maturing in varying installments through 2025		281,610	—	(6,815)	274,795	8,985
Total Capital Fund Program Revenue Bonds	**$**	**281,610**	**—**	**(6,815)**	**274,795**	**8,985**
Total Bonds Payable Prior to Net Premium (Discount) on Bonds Payable and Deferred Bond Refunding Costs	$	4,604,436	1,564,310	(1,020,044)	5,148,702	180,839
Net Premium (Discount) on Bonds Payable		17,636	—	—	16,216	—
Deferred Bond Refunding Costs		(14,702)	—	—	(15,504)	—
Total Bonds Payable (Net)	**$**	**4,607,370**	**1,564,310**	**(1,020,044)**	**5,149,414**	**180,839**

Bonds issued in Fiscal Year 2006

(A) New York City Housing Development Corporation

On November 30, 2005, the variable rate 2005 Series A Multi-Family Mortgage Revenue Bonds (Urban Horizons II Development) were issued in the amount of $19,600,000 to finance a mortgage loan for the purpose of paying a portion of the costs of constructing and equipping a multi-family rental housing development to be located at 1330 Intervale Avenue and 1337 Louis Nine Boulevard in the Borough of the Bronx, New York.

On December 1, 2005, the 2005 Series A-1 Multi-Family Secured Mortgage Revenue Bonds were issued in the amount of $6,185,000 to finance permanent mortgage loans for certain newly constructed developments located in the Borough of Manhattan, New York.

On December 6, 2005, the variable rate 2005 Series A & B (Federally Taxable) Multi-Family Rental Housing Revenue Bonds (Atlantic Court Apartments) were issued in the amount of $104,500,000 to finance a mortgage loan to the mortgagor in order to refinance the project located at 125 Court Street in the Borough of Brooklyn, New York, that was originally financed with bonds issued by the Corporation.

On December 8, 2005, the variable rate 2005 Series A & B (Federally Taxable) Multi-Family Rental Housing Revenue Bonds (The Nicole) were issued in the amount of $65,000,000 to finance a mortgage loan to the mortgagor in order to refinance the project located at 400 West 55th Street in the Borough of Manhattan, New York, that was originally financed with bonds issued by the Corporation.

On December 16, 2005, two separate issues of 2005 Series A Multi-Family Mortgage Revenue Bonds were issued. The variable rate 2005 Series A (1090 Franklin Avenue Apartments) bonds and 2005 Series A (Parkview II Apartments) bonds were issued in the amounts of $6,200,000 and $10,900,000, respectively. Each issue of the 2005 Bonds relates to a project located in the Borough of the Bronx, New York, for the purpose of financing a mortgage loan to the respective mortgagor in order to finance the project being developed by such mortgagor and pay certain other related costs.

On December 19, 2005, the variable rate 2005 Series A Multi-Family Mortgage Revenue Bonds (89 Murray Street Development) were issued in the amount of $49,800,000 to finance a mortgage loan for the purpose of paying a portion of the costs of constructing and equipping a multi-family rental housing facility located at 89 Murray Street in the Borough of Manhattan, New York, and certain other related costs.

On December 23, 2005, the variable rate 2005 Series A Multi-Family Mortgage Revenue Bonds (270 East Burnside Avenue Apartments) were issued in the amount of $13,000,000 to finance a mortgage loan for the purpose of paying a portion of the costs of constructing and equipping a multi-family rental housing facility located at 262-270 East Burnside Avenue in the Borough of the Bronx, New York, and pay certain other related costs.

On December 28, 2005, seven Multi-Family Housing Revenue Bonds series were issued in an amount totaling $127,395,000. The 2005 Series G (Non-AMT)) bonds in the amount of $4,840,000, the 2005 Series H (AMT) (Auction Rate) bonds in the amount of $30,100,000, the 2005 Series I (Federally Taxable) (Auction Rate) bonds in the amount of $3,445,000, the 2005 Series J-1 (Non-AMT) bonds in the amount of $20,495,000, the 2005 Series J-2 (Federally Taxable) (Auction Rate) bonds in the amount of $18,640,000, the 2005 Series K (AMT) bonds in the amount of $12,730,000 and the 2005 Series L (AMT) bonds in the amount of $37,145,000 are being issued, when combined with other available monies, to finance permanent or construction loans for the construction or rehabilitation of certain new and existing developments or to refinance permanent loans for certain existing developments.

On December 29, 2005, the variable rate 2005 Series A Multi-Family Mortgage Revenue Bonds (The Schermerhorn Development) were issued in the amount of $30,000,000 to finance a construction mortgage loan for the purpose of paying a portion of the costs of acquiring and equipping a multi-family rental housing facility to be located at 160 Schermerhorn Street between Smith Street and Hoyt Street in the Borough of Brooklyn, New York.

On December 29, 2005, the 2005 Series A & B Multi-Family Rental Housing Revenue Bonds (Progress of Peoples Developments) were issued in the amount of $83,400,000. The 2005 Bonds are being issued to finance certain construction and permanent mortgage loans for the purposes of paying, together with other available monies of the mortgagors, the costs of acquiring, rehabilitating and equipping certain multi-family senior rental housing development located in the City of New York and certain other related costs.

On December 30, 2005, the variable rate 2005 Series A Multi-Family Mortgage Revenue Bonds (Grace Towers Development) were issued in the amount of $11,300,000 to finance a mortgage loan for the purposes of paying a portion of the costs of acquiring and renovating a multi-family rental housing facility located at 2060 Pitkin Avenue and 272 Pennsylvania Avenue in the Borough of Brooklyn, New York, and to pay certain other related costs.

On February 16, 2006, the variable rate 2006 Series A & B (Federally Taxable) Multi-Family Rental Housing Revenue Bonds (90 West Street) were issued in the amount of $112,000,000 to finance a mortgage loan to the mortgagor in order to refinance a multi-family rental housing facility located at 90 West Street in the Borough of Manhattan, New York, that was originally financed with bonds issued by the Corporation and pay certain other related costs.

On April 7, 2006, the variable rate 2006 Series A & B (Federally Taxable) Multi-Family Rental Housing Revenue Bonds (2 Gold Street) were issued in the amount of $217,000,000 to finance a mortgage loan to the mortgagor in order to refinance a multi-family rental housing facility located at 2 Gold Street in the Borough of Manhattan, New York, that was originally financed with bonds issued by the Corporation and pay certain other related costs.

On April 28, 2006, the 2006 Series A (Federally Taxable) Multi-Family Housing Revenue Bonds were issued in the amount of $306,100,000, when combined with other available monies, to pay the redemption price of certain outstanding bonds of the Corporation and to provide funds to the Corporation for its corporate purposes free and clear of the lien of the General Resolution.

On May 4, 2006, the variable rate 2006 Series A Multi-Family Mortgage Revenue Bonds (Reverend Ruben Diaz Gardens Apartments) were issued in the amount of $13,300,000 to finance a mortgage loan to the mortgagor in order to finance the Project located in the Borough of the Bronx, New York, and pay certain other related costs.

On May 24, 2006, the variable rate 2006 Series A Multi-Family Mortgage Revenue Bonds (Villa Avenue Apartments) were issued in the amount of $13,700,000 to finance a mortgage loan for the purpose of paying a portion of the costs of constructing and equipping a multi-family rental housing facility to be located at 3121 Villa Avenue in the Borough of the Bronx, New York, and to pay certain other related costs.

On June 1, 2006, the variable rate 2006 Series A Multi-Family Mortgage Revenue Bonds (Granville Payne Apartments) were issued in the amount of $12,250,000 to finance a mortgage loan to the project located in the Borough of Brooklyn, New York, and to pay certain other related costs.

On June 21, 2006, the variable rate 2006 Series A & B (Federally Taxable) Multi-Family Mortgage Revenue Bonds (20 Exchange Place) were issued in the amount of $210,000,000 to finance a mortgage loan for the purposes of paying a portion of the costs of acquiring the land that is located at 20 Exchange Place in the Borough of Manhattan, New York, and the existing office building, and converting a portion of such building into a multi-family rental housing development and to pay certain other related costs.

On June 29, 2006, five Multi-Family Housing Revenue Bonds series were issued in an amount totaling $121,980,000. The 2006 Series C (AMT) bonds in the amount of $81,635,000, the 2006 Series D-1 (Non-AMT) bonds in the amount of $2,510,000, the 2006 Series D-2 (Federally Taxable) (Auction Rate) bonds in the amount of $7,495,000, the 2006 Series E (Federally Taxable) (Auction Rate) bonds in the amount of $27,685,000 and the 2006 Series F (Federally Taxable) (Auction Rate) bonds in the amount of $2,655,000 were issued, when combined with other available monies, to finance construction and/or permanent mortgage loans for the acquisition, rehabilitation and/or construction of certain developments or to refinance permanent loans for certain existing developments.

On July 13, 2006, the variable rate 2006 Series A Multi-Family Mortgage Revenue Bonds (Target V Apartments) were issued in the amount of $7,200,000 to finance a mortgage loan for the purposes of paying a portion of the costs of acquiring and renovating a multi-family rental housing facility located at 1971 and 1975 Grand Avenue in the Borough of the Bronx, New York, and to pay certain other related costs.

On October 5, 2006, the variable rate 2006 Series A Multi-Family Mortgage Revenue Bonds (Beacon Mews Development) were issued in the amount of $23,500,000 to finance a mortgage loan for the purposes of paying a portion of the costs of acquiring, constructing and equipping a multi-family rental housing facility to be located at 34 West 139th Street in the Borough of Manhattan, New York, and to pay certain other related costs.

All the bonds of the programs listed above are subject to redemption. Certain issues are also subject to special redemption provisions. The parameters under which the redemptions may occur are set forth in the respective bond resolutions.

The Corporation sold several series of bonds in fiscal year 2005 and one bond series in fiscal year 2006 for future delivery. These bonds are not legally issued until the delivery date. In fiscal year 2005, the $6,185,000 Multi-Family Secured Mortgage Revenue Bonds, 2005 Series A-1, were contracted to be delivered on December 1, 2005 and were so delivered. The $4,505,000 Multi-Family Secured Mortgage Revenue Bonds, 2005 Series A-2, are contracted to be delivered on August 1, 2007 and the $3,465,000 Multi-Family Secured Mortgage Revenue Bonds, 2005 Series B, are contracted to be delivered on January 14, 2008. During fiscal year 2006, the Corporation sold $31,900,000 of its Multi-Family Housing Revenue Bonds, the 2006 Series B (AMT) bond program. The bonds are contracted to be delivered on June 28, 2007. Under certain limited circumstances, if the Corporation fails to make such deliveries, financial penalties may be incurred.

The Corporation defeased the following series of bonds during fiscal year ended October 31, 2006:

Bond issues	Date		Amount
2003 Series C Multi-Family Housing Revenue Bond	April 3, 2006	$	4,175,000
2004 Series D Multi-Family Housing Revenue Bond	October 24, 2006		18,000,000
2004 Series E-2 Multi-Family Housing Revenue Bond	October 24, 2006		19,720,000
Total		$	41,895,000

Future Debt Service

Required debt payments by the Corporation for the next five years and thereafter are as follows:

Year Ending October 31, *(in thousands)*		Principal	Interest	Total
2007	$	180,839	221,499	402,338
2008		52,475	218,688	271,163
2009		102,670	214,910	317,580
2010		122,630	210,982	333,612
2011		60,950	205,764	266,714
2012 – 2016		318,933	980,656	1,299,589
2017 – 2021		585,995	874,630	1,460,625
2022 – 2026		409,390	754,233	1,163,623
2027 – 2031		970,820	562,984	1,533,804
2032 – 2036		1,236,225	356,969	1,593,194
2037 – 2041		1,080,410	78,633	1,159,043
2042 – 2046		18,080	5,770	23,850
2047 – 2051		9,285	1,044	10,329
Total	$	5,148,702	4,686,762	9,835,464

Note 10: Consultant's Fees

The fees paid by the Corporation for legal and consulting services in fiscal year 2006 for HDC include $65,188 to Hawkins, Delafield & Wood LLP; $6,878 to Hitchens & Williams; $4,180 to Allen E. Kayes, PC; $4,119 to Norris McLaughlin & Marcus, PA; $3,069 to the Law Offices of Epstein, Becker & Green, PC for legal services and $2,500 to Samuel Klein & Company. Auditing fees of $175,000 were paid to Ernst & Young LLP. The Corporation paid consulting fees in the amount of $184,818 to Quest America Inc.; $76,995 to Steve Yu; $53,117 to Hawkins, Delafield & Wood LLP; $51,120 to Irene Yau; $31,110 to Michelle Antao; $25,256 to Cristo Rey New York High School; $23,911 to Astoria Graphics Incorporated; $21,060 to Deepa Goel; $16,509 to Aaron W. Eckerle; $13,500 to KellyCo Marketing; $8,183 to Larry Raccioppo; $6,662 to Carlton Architecture PC; $6,630 to Ramesh Sreedhar; $6,500 to Insurance Advisors, LLC; $5,820 to Raju Thomas; $2,925 to Oracle Corporation; $2,500 to Nancy Goldstein Projects, Inc.; $2,340 to Kenneth Mertz; $1,688 to Accurint; $1,390 to Coloredge Visual; $427 to Kelly Ricciardi; $300 to Spencer T. Tucker and $165 to MetroProof.

In addition, the Corporation paid legal and consulting fees for services provided in connection with bond financings of $1,661,624 to Hawkins, Delafield & Wood LLP; $35,200 to Goldman Sachs; $32,000 to Ernst & Young LLP; $19,000 to Emmet, Marvin & Martin LLP; $9,500 to Dorsey & Witney LLP; $4,000 to Harris Beach LLP; $4,000 to LeBoeuf, Lamb, Greene & Macrae and $2,500 to Bryan Cave LLP. The Corporation has been reimbursed for these expenses either from bond proceeds or from project developers.

Note 11: Payable to The City of New York

(A) New York City Housing Development Corporation

Since fiscal year 2002, the Corporation entered into various agreements with the City whereby HDC sold bonds and used the bond proceeds to purchase from the City interests in various mortgage loans and pools of mortgage loans, and, in fiscal years 2005 and 2006, to originate second mortgage loans in which it sold a residual interest to the City. Cash flow derived from these loan interests is pledged to the repayment of the related HDC bonds. At such time as these HDC bonds are retired, ownership of the associated loan interests transfers to the City. Therefore, to the extent to which such interests exceed the amount of the related bonds, the excess is reported as payable to New York City.

In fiscal years 2002 and 2003, the Corporation issued its 2002 Series D Multi-Family Mortgage Revenue Bonds and 2003 Series D Multi-Family Mortgage Revenue Bonds. In each case, HDC used the bond proceeds to purchase from the City a 100% participation interest in the cash flow of a portfolio of mortgage loans and a 100% participation interest in the cash flows of a loan pool securitized by the City in 1996 and known as the Sheridan Trust II. As noted in Note 6: "Loan Participation Interest Receivable", the 2002 Series D and 2003 Series D were substantially over-collateralized by their respective total loan assets. This presented the Corporation with an opportunity to recapitalize the underlying loan portfolio. In April 2006, by mutual agreement with the City, the Corporation issued the 2006 Series A bonds. The proceeds of these bonds were used to refinance the 2002 Series D and 2003 Series D bonds, pay the cost of issuance of the bonds, pay the City of New York $6,847,000 as consideration for extending the reversion of the residual interest in the participating underlying mortgages to the City until the 2006 Series A bonds are retired and provide the Corporation additional funds of $98,154,000 to continue its affordable housing mission principally through the making of subordinate loans to support the Mayor's Affordable Housing Initiative Program. The $98,154,000 is reported as a Special Item for financial reporting purposes (see Note 17: "Net Assets"). At October 31, 2006, the Corporation's payable to the City under the 2006 Series A bonds program was $332,286,000.

The Corporation has completed numerous transactions as part of its Mitchell-Lama Restructuring Program, an affordable housing preservation program. During fiscal years 2005 and 2006, through the issuance of Multi-Family Housing Revenue Bonds, 2004 Series D, 2004 Series E-1, 2004 Series E-2, 2005 Series A-1, 2005 Series A-2, 2005 Series F-1, 2005 Series F-2, 2005 Series J-1, 2005 Series J-2, 2006 Series D-1 and 2006 Series D-2 (collectively, "Mitchell-Lama Restructuring Bonds"), HDC funded, in addition to various new first and second mortgage loans, the acquisition of participation interests in City-owned second mortgages and associated cash flows. As long as any Mitchell-Lama Restructuring Bonds are outstanding, all cash flows from the purchased interests must be applied to debt service on such bonds. Once all such bonds are retired, HDC's participation interests revert to New York City. HDC also sold to the City a residual interest in the second mortgage loans the Corporation originated. These loans also transfer to the City when the bonds are retired. At October 31, 2006, the Corporation's payable to New York City under the Mitchell-Lama Restructuring Bonds program was $325,379,000.

The City's Department of Housing Preservation and Development ("HPD") acts as the regulatory agency for the 1996 Series A Housing Revenue Bond Program mortgages, and as such, receives servicing fees from HDC. At October 31, 2006, for the 1996 Series A Housing Revenue Bond Program servicing fees payable to HPD were $5,000.

The Corporation also administers construction loans on behalf of HPD, using funds provided by HPD. All such funds are the property of HPD and are thus reported as due to New York City in the Corporation's financial statements. At October 31, 2006, the related payable to the City was $138,066,000.

(B) Housing Assistance Corporation

Funding for HAC was received through the City in 1985. All of HAC's assets, after repayment of HDC advances to HAC and if unused for HAC purposes, will revert back to the City. In fiscal year 2006, HAC repaid HDC $4,500,000 for funds that were advanced to HAC in fiscal years 2004 and 2005 to assist an additional development to maintain affordable rentals. At October 31, 2006, total resources payable to the City amounted to $64,083,000. The resources held for the City are primarily the mortgage loans described in Note 4, "Mortgage Loans", and the investments held to fund tenant assistance payments.

Note 12: Retirement Programs

The Corporation is a participating employer in the New York City Employees' Retirement System ("NYCERS") of which 66 employees of the Corporation are members. The Corporation paid NYCERS $332,088, $377,110 and $0 during fiscal years 2006, 2005 and 2004, respectively. Copies of NYCERS' financial statements can be obtained by writing to 335 Adams Street, Suite 2300, Brooklyn, NY 11201-3751.

The Corporation offers its employees the option of participating in a Tax Sheltered Annuity Plan managed by The Equitable Life Assurance Society of the United States as an alternate or supplemental retirement plan under Section 403(b) of the Internal Revenue Code. The Internal Revenue Service has approved the Corporation as an entity which can provide this type of plan to its employees. The majority of the Corporation's employees participate in this plan.

Note 13: Postemployment Benefits Other Than Pension

The Corporation sponsors a single employer health care plan that provides postemployment medical benefits for eligible retirees and their spouses. The Corporation does not issue a publicly available financial report for the plan.

Benefit provisions for the plan are established and amended through HDC's Board of Directors and there is no statutory requirement for HDC to continue this plan for future HDC employees. The plan is a non contributory plan with all payments for plan benefits being funded by HDC on a pay-as-you-go-basis.

During 2006, HDC adopted the accounting provisions of GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions." This statement establishes guidelines for reporting costs associated with "other postemployment benefits" (OPEB). HDC's annual OPEB cost for the plan is calculated based on the annual required contribution ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. HDC's annual OPEB cost for the current year and the related information for the plan are as follows (dollar amounts in thousands):

Annual required contribution	$	1,595
Contributions made		(5)
Increase in net OPEB obligation		1,590
Net OPEB obligation-beginning of year		—
Net OPEB obligation-end of year	$	1,590

HDC's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2006 were as follows (dollar amounts in thousands):

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
10/31/06	$ 1,595	0.34%	$ 1,590

As of October 31, 2006, the actuarial accrued liability for benefits was $13,779,000, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was $9,097,000 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 151%.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between HDC and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

For the actuarial valuation, the frozen entry age actuarial cost method was used. The actuarial assumptions included a 4% discount rate and an annual healthcare cost trend rate of 10% medical and grading down to an ultimate rate of 5%. The unfunded actuarial accrued liability is being amortized over 30 years as a level percentage of projected payroll on an open basis. The remaining amortization period was 29 years.

Note 14: Due to the United States Government

The amount reported in this classification is made up of two major components.

A. Due to HUD

The Corporation has entered into contracts with the United States Department of Housing and Urban Development ("HUD") to administer housing assistance payment contracts with housing projects occupied by tenants qualifying for Section 8 housing assistance payments. Pursuant to the contracts, HUD makes annual contributions to the Corporation in an amount equal to the annual assistance payments plus an administrative fee, if applicable, for the Corporation.

The Corporation receives the annual contract contributions periodically during the year and disburses funds monthly for the benefit of the covered projects. As of October 31, 2006, the Corporation held $3,539,000 in prefunded annual contributions. Related fees earned during fiscal year 2006 amounted to $3,033,000 and are included in operating income. The Corporation also holds $31,000 which represents excess 236 interest reduction subsidies.

B. Rebate Fund

In order to maintain the exemption from federal income tax of interest on bonds issued subsequent to January 1, 1986, the Corporation established a separate fund, the Rebate Fund, into which amounts required to be rebated to the Federal Government pursuant to Section 148 of the Code are deposited. In general, the Code requires the payment to the U. S. Treasury of the excess of the amount earned on all non-purpose obligations over the amount that would have been earned if the gross proceeds of the issue were invested at a rate equal to the yield on the issue. Project or construction funds, debt service funds or any other funds or accounts funded with proceeds of such bonds, including earnings, or pledged to or expected to be used to pay interest on such bonds are subject to this requirement. Issues with respect to which all gross proceeds are expended for the governmental purpose of the issue within the required time period after the date of issue and debt service funds with annual gross earnings of less than $100,000 are exempt from this requirement. Payment is to be made after the end of the fifth bond year and after every fifth bond year thereafter, and within 60 days after retirement of the bonds. At October 31, 2006, HDC had set aside $358,000 to make future rebate payments when due.

Note 15: Commitments

(A) New York City Housing Development Corporation

The Corporation is committed under one operating lease for office space for minimum annual rentals for the next five years and thereafter as follows:

Year Ending October 31,		
2007	$	1,301,000
2008		1,301,000
2009		1,301,000
2010		1,409,000
2011		1,445,000
2012 – 2015		4,698,000
Total	$	11,455,000

For fiscal year 2006, the Corporation's rental expense amounted to $1,730,000.

HDC's practice is to close loans only when all the funds committed to be advanced have been made available through bond proceeds or a reservation of corporate funds. Funds are invested prior to being advanced as described in Note 3: "Investments and Deposits" and are reported as restricted assets. The portion of closed construction loans that had not yet been advanced is as follows at October 31, 2006:

Program:		
Multi-Family Bond Programs		
Housing Revenue	$	132,582,000
80/20		7,248,000
Mixed Income Rental Program (MIRP)		10,605,000
Liberty Bond		82,937,000
New Housing Opportunity Program (NEW HOP)		79,254,000
Low-Income Affordable		155,630,000
Mitchell-Lama Repair Loans		5,036,000
NYCHA		230,260,000
Corporate Services Fund Loans		54,591,000
Unadvanced Construction Loans (closed loans)	$	758,143,000

As of October 31, 2006 the Corporation had executed commitment letters for several loans that had not yet closed. Ultimate funding of these loans is conditioned on various factors.

Mitchell-Lama Repair Loans	$	14,320,000
Corporate Services Fund Loans		19,685,000
Affordable Housing Participation Loan Program		74,105,000
Total Signed Commitments	$	108,110,000

The Corporation has made a programmatic funding commitment in support of the City's housing initiatives. HDC has reserved funds to fulfill these commitments, but the timing and amount of remaining loan closings cannot be determined. The programmatic commitment is as follows:

- The Corporation entered into a Memorandum of Understanding ("MOU") with HPD dated as of May 5, 2004 that outlines the Corporation's obligations to purchase participations totaling up to $55,632,000 in affordable housing loans for various HPD programs during fiscal years 2004 to 2006, and HPD's commitment to purchase these loans extends back to that period with accrued interest in 2007 and 2008. As of October 31, 2006, loans totaling $27,208,000 had been closed and $16,603,000 had been advanced. An unadvanced portion of $10,605,000 for the closed loans is included in the chart above. The Corporation's commitment to purchase loans under the MOU has expired.

(B) New York City Residential Mortgage Insurance Corporation

As of October 31, 2006, REMIC insured loans with coverage totaling $107,231,000 and had outstanding commitments to insure loans with a maximum insurance coverage of $40,906,000.

Note 16: Contingencies

In the normal conduct of the Corporation's business, it is involved in litigation matters. In the opinion of management and the Corporation's legal counsel, the ultimate disposition of such litigation should not have a material adverse effect on the combined financial position of the Corporation.

Note 17: Net Assets

The Corporation's Net Assets represent the excess of assets over liabilities and consist largely of mortgage loans and investments. HDC's net assets are categorized as follows:

- **Restricted Net Assets** are net assets that have been restricted in use in accordance with the terms of an award, agreement or by State law. This includes loan assets, bond proceeds and reserve funds that are pledged to bondholders, funds held pursuant to contractual obligations with HPD and HUD, and REMIC reserves that are required by statute, among other items (see chart below).

- **Unrestricted Net Assets** are the remaining net assets, which can be further categorized as Designated or Undesignated. Designated Assets are not governed by statute or contract but are committed for specific purposes pursuant to HDC policy and/or Board directives. Designated Assets include funds and assets committed to various housing initiatives, reserves to maintain HDC's credit ratings, and working capital.

Changes in Net Assets

The changes in Net Assets are as follows:

		Restricted	Unrestricted	Total
Net assets at October 31, 2004	$	334,706,000	422,433,000	757,139,000
Income		33,211,000	11,257,000	44,468,000
Transfers		20,231,000	(20,231,000)	—
Net assets at October 31, 2005		388,148,000	413,459,000	801,607,000
Income		64,602,000	20,376,000	84,978,000
Loan participation agreement resecuritization proceeds		—	98,154,000	98,154,000
Transfers		(34,753,000)	34,753,000	—
Net assets at October 31, 2006	$	417,997,000	566,742,000	984,739,000

Summary of Restricted Net Assets		2006	2005
Multi-Family Bond Programs	$	398,826,000	357,277,000
Corporate Debt Service Reserve for HPD Loan Purchase Bonds		15,305,000	19,793,000
Claim Payment Fund for 223(f) Program		3,866,000	11,078,000
Total Restricted Net Assets	$	417,997,000	388,148,000

Of the total Unrestricted Net Assets listed below, $231,816,000 is existing mortgages and other loans. An additional $183,190,000 has been designated by the Members of the Corporation for future mortgage advances pursuant to housing programs established by the Corporation. The Corporation also has $1,781,000 in capital assets.

On April 28, 2006, the Corporation issued the 2006 Series A bonds to refinance the 2002 Series D and 2003 Series D bonds. After refinancing the old bonds, paying for related costs of bond issuance and for an amended participation agreement with the City, the remaining bond proceeds of $98,154,000 were provided to the Corporation to continue its affordable housing programs, primarily through issuing subordinate loans to support the Mayor's Affordable Housing Initiative Program. (See Note 11: "Payable to the City of New York"). The $98,154,000 is reported as a "Special Item" for financial reporting purposes and is designated as an unrestricted fund balance for future housing program purposes.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Summary of Unrestricted Net Assets		2006	2005
Designated Assets:			
Housing Programs	$	183,190,000	185,907,000
Loan participation agreement resecuritization proceeds		98,154,000	—
Existing Mortgages		231,816,000	173,121,000
Working Capital		7,000,000	7,000,000
Rating Agency Reserve Requirement		40,000,000	40,000,000
Total Designated Assets		560,160,000	406,028,000
Undesignated Assets:			
Loan spread purchased from New York City		4,801,000	5,295,000
Capital Assets		1,781,000	2,136,000
Total Undesignated Assets		6,582,000	7,431,000
Total Unrestricted Net Assets	$	566,742,000	413,459,000

Note 18: Subsequent Events

Subsequent to October 31, 2006 and through December 31, 2006, twenty-one new bond series totaling $619,450,000 were issued in the course of the Corporation's normal business activities.

On December 20, 2006, the Corporation issued its 2006 Series A Multi-Family Rental Housing Revenue Bonds (Seaview Towers) in the amounts of $32,000,000, to refinance and restructure a permanent mortgage loan originally funded from the 223(f) Multi-Family Housing Program (Mitchell-Lama). The prior bonds for the development will be retired on February 15, 2007. A portion of the asset representing the purchase price of future cash flows associated with certain of the 223(f) loans, as more fully described in Note 8, "Other Non-Current Assets" will be written off as a non-operating expense in connection with this transaction.

REQUIRED SUPPLEMENTARY INFORMATION

October 31, 2006

Schedule 1

The following schedule is being presented to provide information on the funding progress of the OPEB Plan.

Schedule of Funding Progress for the Retiree Healthcare Plan

(in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Level Dollar (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
10-31-2006	$ 0	$ 13,779	$ 13,779	0%	$ 9,097	151%

OTHER INFORMATION

Schedule 2

The following schedule is being presented to provide detailed information on a program basis for the owners of the Housing Revenue Bond program's obligations.

Housing Revenue Bond Program
Schedule of Balance Sheet Information
October 31, 2006 and 2005 (in thousands)

		2006	2005
Assets			
Current Assets:			
Cash, cash equivalents and investments	$	137,855	156,699
Mortgage loan receivable		65,788	33,921
Accrued interest receivable		7,701	7,355
Other receivables		342	340
Other assets		15	14
Total Current Assets	**$**	**211,701**	**198,329**
Noncurrent Assets:			
Restricted cash and investments		263,712	172,387
GNMA Securities held as purpose investment		198,590	196,284
Mortgage loan receivable		1,760,333	1,774,633
Accrued interest receivable		46,188	35,174
Loan participation interest receivable		217,150	233,054
Unamortized issuance costs		9,641	9,869
Primary government/component unit receivable (payable)		(12,707)	(5,098)
Other assets		6,253	16,499
Total Noncurrent Assets	**$**	**2,489,160**	**2,432,802**
Total Assets	**$**	**2,700,861**	**2,631,131**
Liabilities			
Current Liabilities:			
Bonds payable (net)		81,349	28,750
Accrued interest payable		37,627	27,712
Due to mortgagors		1,515	2,421
Deferred fee and mortgage income		191	205
Due to the United States		3,862	2,675
Total Current Liabilities	**$**	**124,544**	**61,763**
Noncurrent Liabilities:			
Bonds payable (net)		1,512,778	1,448,734
Payable to The City of New York		657,664	736,065
Due to mortgagors		3,958	16,211
Deferred fee and mortgage income		19,148	17,993
Due to the United States		30	643
Total Noncurrent Liabilities	**$**	**2,193,578**	**2,219,646**
Total Liabilities	**$**	**2,318,122**	**2,281,409**
Net Assets			
Restricted		382,739	349,722
Total Net Assets	**$**	**382,739**	**349,722**
Total Liabilities and Net Assets	**$**	**2,700,861**	**2,631,131**

OTHER INFORMATION (continued)

Schedule 2: (Continued)

Housing Revenue Bond Program
Schedule of Revenues, Expenses and Changes in Fund Net Assets
Fiscal Years ended October 31, 2006 and 2005 (in thousands)

		2006	2005
Operating Revenues			
Interest on loans	$	79,713	71,846
Fees and charges		10,754	12,456
Income on loan participation interests		38,370	3,387
Other		4	129
Total Operating Revenues	**$**	**128,841**	**87,818**
Operating Expenses			
Interest and amortization of bond premium and discount		91,271	65,265
Trustees' and other fees		516	211
Amortization of debt issuance costs		3,460	3,921
Total Operating Expenses	**$**	**95,247**	**69,397**
Operating Income	**$**	**33,594**	**18,421**
Non-operating Revenues (Expenses)			
Earnings on investments		25,939	21,318
Gain (Loss) on early retirement of debt, net		(1,457)	—
Non-operating expenses, net		13,582	3,646
Total Non-operating Revenues (Expenses)	**$**	**38,064**	**24,964**
Income before Distributions and Transfers	**$**	**71,658**	**43,385**
Operating transfers to Corporate Services Fund		(7,215)	(8,027)
Capital transfers		(31,426)	27,261
Change in Net Assets	**$**	**33,017**	**62,619**
Total net assets - beginning of year		349,722	287,103
Total Net Assets - End of Year	**$**	**382,739**	**349,722**

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